

Türk Telekomünikasyon
Anonim Şirketi and Its Subsidiaries
31 December 2022
Consolidated Financial Statements
And Independent Auditor's Report

22 February 2023

This report contains 7 pages of "Independent Auditor's Report" and 112 pages of financial statements and explanatory notes.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

Table of contents	Page
Consolidated statement of financial position	1-3
Consolidated statement of profit or loss	4
Consolidated statement of other comprehensive income	5
Consolidated statement of changes in equity	6
Consolidated statement of cash flows	7-8
Notes to the consolidated financial statements	
Note 1 Reporting entity	9-12
Note 2 Basis of presentation of financial statements	12-41
Note 3 Segment reporting	42-44
Note 4 Cash and cash equivalents	45
Note 5 Financial liabilities	46-49
Note 6 Trade receivables from and payables to third parties	50-51
Note 7 Right of use assets	51
Note 8 Due from and due to related parties	52-55
Note 9 Other receivables and payables	55-56
Note 10 Inventories	56
Note 11 Deferred tax assets and liabilities	56-58
Note 12 Other current assets, other liabilities and employee benefit obligations	58
Note 13 Prepaid expenses and deferred revenues	59
Note 14 Financial investments	60
Note 15 Derivative financial instruments	60-66
Note 16 Goodwill	67
Note 17 Assets held for sale	68
Note 18 Investment property	68
Note 19 Property, plant and equipment	69-71
Note 20 Intangible assets	72-74
Note 21 Provisions	75-77
Note 22 Paid in capital, reserves and retained earnings	78-81
Note 23 Commitments and contingencies	82-96
Note 24 Supplementary cash flow information	97
Note 25 Subsequent events	97
Note 26 Revenue	98
Note 27 Operating expenses	98
Note 28 Expenses by nature	98
Note 29 Other operating income / (expense)	99
Note 30 Income / (expense) from investing activities	99
Note 31 Financial income / (expense)	100
Note 32 Taxation	100-102
Note 33 Financial risk management objectives and policies	103-112
Note 34 Independent audit fees and other fees related services received from independent audit firm	112

(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 31 DECEMBER 2022

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

		Current period	Prior period
		Audited	Audited
	Notes	31 December 2022	31 December 2021
Assets			
Total current assets		26.187.700	20.779.381
Cash and cash equivalents	4	5.124.899	7.696.870
Financial investments	14	4.880.842	–
Trade receivables			
- Trade receivables due from related parties	8	508.513	53.869
- Trade receivables due from unrelated parties	6	8.249.733	6.528.628
Other receivables			
- Other receivables due from unrelated parties	9	161.861	112.921
Contract assets			
- Contract assets from sale of goods and service contracts	6	1.395.079	951.675
Derivative financial assets			
- Derivative financial assets held for trading	15	233.697	728.427
- Derivative financial assets held for hedging	15	3.759.247	3.270.656
Inventories	10	682.708	439.933
Prepayments			
- Prepayments to unrelated parties	13	447.261	382.907
Current tax assets		9.588	8.949
Other current assets			
- Other current assets due from unrelated parties	12	696.911	548.128
Subtotal		26.150.339	20.722.963
Non-current assets classified as held for sale	17	37.361	56.418
Total non-current assets		54.544.004	37.558.254
Financial investments			
- Other financial investments	14	24.596	13.671
Trade receivables			
- Trade receivables due from unrelated parties	6	185.720	127.851
Other receivables			
- Other receivables due from unrelated parties	9	73.958	38.739
Contract assets			
- Contract assets from sale of goods and service contracts	6	35.799	55.377
Derivative financial assets			
- Derivative financial assets held for trading	15	89.337	39.980
Right of use assets	7	1.800.672	1.578.893
Investment property	18	13.791	15.483
Property, plant and equipment			
- Land and premises	19	12.888.382	6.398.268
- Buildings	19	711.311	592.875
- Machinery and equipments	19	13.829.614	10.862.961
- Other property, plant and equipment	19	2.520.695	1.119.642
Intangible assets			
- Goodwill	16	44.944	44.944
- Rights regarding concession agreements	20	7.367.172	5.426.301
- Concession agreements assets	20	1.596.032	1.315.334
- Licences	20	1.807.982	2.104.880
- Other intangible assets	20	6.957.710	5.440.553
Prepayments			
- Prepayments to unrelated parties	13	178.518	19.998
Deferred tax asset	11	4.417.759	2.362.407
Other non-current assets			
- Other non-current assets due from unrelated parties		12	97
Total assets		80.731.704	58.337.635

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 FINANCIAL POSITION AS AT 31 DECEMBER 2022

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

		Current period	Prior period
		Audited	Audited
	Notes	31 December 2022	31 December 2021
Liabilities			
Total current liabilities		26.366.177	17.997.064
Financial liabilities			
Financial liabilities from related parties			
- Bank loans	5,8	1.356.755	-
Financial liabilities from unrelated parties			
- Bank loans	5	4.758.870	802.166
- Lease liabilities	5	4.406	33.092
- Issued debt instruments	5	1.471.673	-
Current portion of long term financial liabilities			
Current portion of long term financial liabilities from unrelated parties			
- Bank loans	5	3.833.108	5.374.362
- Lease liabilities	5	622.819	556.271
- Issued debt instruments	5	270.696	351.387
Trade payables			
- Trade payables to related parties	8	173.777	-
- Trade payables to unrelated parties	6	9.294.752	7.729.147
Employee benefit obligations			
	12	604.529	215.114
Other payables			
- Other payables to unrelated parties	9	1.814.621	1.395.728
Derivative financial liabilities			
- Derivative financial liabilities held for trading	15	141.527	114.611
- Derivative financial liabilities held for hedging	15	-	159
Contract liabilities			
- Contract liabilities from sale of goods and service contracts	13	1.009.561	713.389
Current tax liabilities			
	32	67.524	160.514
Current provisions			
- Current provisions for employee benefits	21	569.405	319.140
- Other current provisions	21	200.431	210.495
Other current liabilities			
- Other current liabilities to unrelated parties	12	171.723	21.489
Total non-current liabilities		34.395.248	26.090.667
Long term financial liabilities			
Long term financial liabilities from unrelated parties			
- Bank loans	5	11.402.281	8.926.851
- Lease liabilities	5	892.391	850.097
- Issued debt instruments	5	17.307.353	12.909.151
Other payables			
- Other payables to unrelated parties	9	58.125	40.299
Derivative financial liabilities			
- Derivative financial liabilities held for hedging	15	-	351.986
Contract liabilities			
- Contract liabilities from sale of goods and service contracts	13	1.991.476	1.417.662
Non-current provisions			
- Non-current provisions for employee benefits	21	2.445.098	1.281.014
- Other non-current provisions	21	10.627	10.627
Deferred tax liabilities			
	11	287.897	302.980
Total liabilities		60.761.425	44.087.731

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 FINANCIAL POSITION AS AT 31 DECEMBER 2022

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

		Current period	Prior period
		Audited	Audited
	Notes	31 December 2022	31 December 2021
Equity		19.970.279	14.249.904
Equity attributable to equity holders of the parent			
Issued capital	22	3.500.000	3.500.000
Inflation adjustments on capital	22	(239.752)	(239.752)
Other accumulated comprehensive income / (loss) that will not be reclassified in profit or loss			
Losses from investments in equity instruments	22	(11.840)	(11.840)
Gains / (losses) on revaluation and remeasurement			
- Losses on remeasurements of defined benefit plans	22	(1.659.893)	(911.454)
- Increases on revaluation of property, plant and equipment	22	11.036.817	5.231.590
Gains / (losses) due to change in fair value of financial liability attributable to change in credit risk of liability	22	(27.934)	76.534
Effect of business combinations under common control	22	(1.320.942)	(1.320.942)
Other accumulated comprehensive income / (loss) that will be reclassified in profit or loss			
Gains / (Losses) on hedges			
- Gains on cash flow hedges	22	1.356.011	876.407
- Losses on hedges of net investment in foreign operations	22	(1.589.185)	(1.157.022)
Change in value of time value of options	22	(3.145.717)	(4.074.549)
Exchange differences on translation	22	2.167.156	1.555.755
Restricted reserves appropriated from profits		391.894	2.568.388
Retained earnings		5.378.818	2.395.335
Profit for the year		4.134.846	5.761.454
Total liabilities and equity		80.731.704	58.337.635

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

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2022

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

		Current Period	Prior Period
		Audited	Audited
	Notes	1 January -	1 January -
		31 December 2022	31 December 2021
Revenue	3, 26	48.042.285	34.272.934
Cost of sales (-)	28	(29.577.355)	(19.404.441)
Gross profit		18.464.930	14.868.493
General administrative expenses (-)	27	(4.266.213)	(2.735.464)
Marketing, sales and distribution expenses (-)	27	(3.936.550)	(2.644.196)
Research and development expenses (-)	27	(438.545)	(273.817)
Other operating income	29	789.251	602.899
Other operating expense (-)	29	(1.311.865)	(1.706.903)
Operating profit		9.301.008	8.111.012
Impairment gains / losses and reversals of impairment losses determined in accordance with IFRS 9, net		(193.886)	(186.174)
Investment activity income	30	2.628.947	1.143.333
Investment activity expenses (-)	30	(24.107)	(16.785)
Profit before financing expense		11.711.962	9.051.386
Finance income	31	2.948.624	5.015.420
Finance costs (-)	31	(12.824.112)	(8.445.964)
Profit before tax	3	1.836.474	5.620.842
Tax (expense) / income			
- Current period tax expense	32	(419.132)	(617.550)
- Deferred tax income	11, 32	2.717.504	758.162
Profit for the year		4.134.846	5.761.454
Earnings per shares attributable to equity holders of the parent (in full Kuruş)	22	1,1814	1,6461
Earnings per diluted shares attributable to equity holders of the parent (in full Kuruş)	22	1,1814	1,6461

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 OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

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

		Current Period	Prior Period
		Audited	Audited
	<i>Notes</i>	1 January - 31 December 2022	1 January - 31 December 2021
Profit for the period		4.134.846	5.761.454
Other comprehensive income			
Other comprehensive income that will not be reclassified to profit or loss		4.952.420	489.655
Losses from investments in equity instruments	22	–	(11.840)
Gain from revaluation of property, plant and equipments, net	19	6.450.252	518.828
Losses on remeasurements of defined benefit plans	21	(931.742)	(160.582)
Change in fair value of financial liability attributable to change in credit risk of liability		(130.547)	206.601
Tax effect of other comprehensive income items not to be reclassified to profit or loss			
<i>-Taxes relating to remeasurements of defined benefit plans</i>		183.303	31.548
<i>-Tax effect of revaluation of property, plant and equipment</i>		(645.025)	(53.580)
<i>-Taxes relating to change in fair value of financial liability attributable to change in credit risk of liability</i>		26.179	(41.320)
Other comprehensive income that will be reclassified to profit or loss		1.587.674	(2.166.046)
Exchange differences on translation		611.401	834.689
Gains on cash flow hedges		599.505	1.163.766
(Losses) on hedges of net investments in foreign operations		(540.204)	(704.841)
Gains / (losses) on change in value of time value of options		1.161.040	(4.195.869)
Tax effect on other comprehensive income items to be reclassified to profit or loss			
<i>-Taxes relating to cash flow hedges</i>		(119.901)	(243.933)
<i>-Taxes relating to losses on hedges of net investments in foreign operations</i>		108.041	140.968
<i>-Taxes relating to change in value of time value of options of other comprehensive (loss) / income</i>		(232.208)	839.174
Other comprehensive income / (loss)		6.540.094	(1.676.391)
Total comprehensive income		10.674.940	4.085.063

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 CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Other accumulated comprehensive income / (loss) that will not be reclassified in profit or loss							Other accumulated comprehensive income / (loss) that will be reclassified in profit or loss					Retained earnings / (losses)		
	Issued capital	Inflation adjustments on capital	Effect of business combinations under common control	Gains / (losses) from investments in equity instruments	Gains / (losses) on revaluation and remeasurement		Gains / (losses) due to change in fair value of financial liability attributable to change in credit risk of liability	Gains / (losses) on hedge		Change in value of time value of options	Exchange differences on translation	Restricted reserves appropriated from profits	Retained Earnings	Profit for the year	Total equity
					Increases on revaluation of property, plant and equipment	Gains / (losses) on remeasurements of defined benefit plans		Gains / (losses) on hedges of net investment in foreign operations	Gains / (losses) on cash flow hedges						
Balance at 1 January 2021	3.500.000	(239.752)	(1.320.942)	-	4.766.342	(782.420)	(88.747)	(593.149)	(320.668)	(717.854)	721.066	2.398.634	1.536.993	3.177.873	12.037.376
Transfers	-	-	-	-	-	-	-	-	-	-	-	169.754	1.135.584	(1.305.338)	-
Total comprehensive income	-	-	-	(11.840)	465.248	(129.034)	165.281	(563.873)	919.833	(3.356.695)	834.689	-	-	5.761.454	4.085.063
Profit for period	-	-	-	-	-	-	-	-	-	-	-	-	-	5.761.454	5.761.454
Other comprehensive income	-	-	-	(11.840)	465.248	(129.034)	165.281	(563.873)	919.833	(3.356.695)	834.689	-	-	-	(1.676.391)
Dividends paid (Note 22)	-	-	-	-	-	-	-	-	-	-	-	-	-	(1.872.535)	(1.872.535)
Other Adjustments	-	-	-	-	-	-	-	-	277.242	-	-	-	(277.242)	-	-
Balance at 31 December 2021	3.500.000	(239.752)	(1.320.942)	(11.840)	5.231.590	(911.454)	76.534	(1.157.022)	876.407	(4.074.549)	1.555.755	2.568.388	2.395.335	5.761.454	14.249.904
Balance at 1 January 2022	3.500.000	(239.752)	(1.320.942)	(11.840)	5.231.590	(911.454)	76.534	(1.157.022)	876.407	(4.074.549)	1.555.755	2.568.388	2.395.335	5.761.454	14.249.904
Transfers	-	-	-	-	-	-	-	-	-	-	-	(2.176.494)	7.937.948	(5.761.454)	-
Total comprehensive income	-	-	-	-	5.805.227	(748.439)	(104.368)	(432.163)	479.604	928.832	611.401	-	-	4.134.846	10.674.940
Profit for period	-	-	-	-	-	-	-	-	-	-	-	-	-	4.134.846	4.134.846
Other comprehensive income	-	-	-	-	5.805.227	(748.439)	(104.368)	(432.163)	479.604	928.832	611.401	-	-	-	6.540.094
Dividends paid (Note 22)	-	-	-	-	-	-	-	-	-	-	-	-	(4.954.565)	-	(4.954.565)
Other adjustments	-	-	-	-	-	-	(100)	-	-	-	-	-	100	-	-
Balance at 31 December 2022	3.500.000	(239.752)	(1.320.942)	(11.840)	11.036.817	(1.659.893)	(27.934)	(1.589.185)	1.356.011	(3.145.717)	2.167.156	391.894	5.378.818	4.134.846	19.970.279

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

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

		Current Period	Prior Period
		Audited	Audited
	Notes	1 January - 31 December 2022	1 January - 31 December 2021
Net profit for the period:		4.134.846	5.761.454
Adjustments to reconcile profit:			
Adjustments for depreciation and amortisation expense	28	8.084.542	6.169.325
Adjustments for impairment loss / (reversal of impairment loss)			
- Adjustments for impairment loss of receivables		182.632	176.332
- Adjustments for impairment loss of inventories		993	1.184
- Adjustments for impairment loss of property, plant and equipment	28	16.731	32.882
- Other adjustments for impairment loss (reversal of impairment loss)		11.254	9.842
Adjustments for provisions			
- Adjustments for (reversal of) provisions related with employee benefits	21	1.099.055	626.958
- Adjustments for (reversal of) lawsuit and/or penalty provisions	21	78.868	192.014
- Adjustments for (reversal of) other provisions	21	-	2.121
Adjustments for interest expenses and income			
- Adjustments for interest income		(515.606)	(315.914)
- Adjustments for interest expense		3.237.789	2.173.688
- Deferred financial expenses from credit purchases		61.410	(23.083)
Adjustments for unrealised foreign exchange losses		7.995.870	2.701.224
Adjustments for fair value losses / (gains)			
- Adjustments for fair value (gains) / losses on derivative financial instruments		166.145	363.172
- Adjustments for fair value losses / (gains) of issued financial instruments		(557.225)	(3.332)
- Adjustments for fair value losses / (gains) of financial assets		(1.412.658)	-
Adjustments for tax expense / (income)	32	(2.298.372)	(140.612)
Adjustments for losses / (gains) on disposal of tangible assets			
- Adjustments for gains arises from sale of tangible assets	30	(1.192.181)	(1.126.548)
Other adjustments for which cash effects are investing or financing cash flow		197.903	111.783
Other adjustments for non-cash items	24	(416.475)	(295.807)
Operating profit before working capital changes		18.875.521	16.416.683
Changes in working capital:			
Adjustments for (increase) / decrease in trade receivables			
- (Increase) / decrease in trade receivables from related parties		(454.644)	(38.535)
- (Increase) / decrease in trade receivables from unrelated parties		(2.309.372)	(1.242.631)
Adjustments for (increase) / decrease in inventories		(243.768)	(192.151)
Adjustments for increase / (decrease) in trade payable			
- Increase / (decrease) in trade payables to related parties		173.777	-
- Increase / (decrease) in trade payables to unrelated parties		1.428.496	2.163.438
Adjustments for (increase) / decrease in other receivables related with operations			
- (Increase) / decrease in other unrelated party receivables related with operations		(443.727)	(450.266)
Adjustments for increase / (decrease) in other operating payables related with operations			
- Increase / (decrease) in other payables related with operations to unrelated parties		1.362.039	319.729
Cash flow from operations:			
Interest received		239.403	194.153
Payments related with provisions for employee benefits	21	(628.222)	(700.804)
Payments related with other provisions	21	(100.161)	(158.434)
Income taxes paid		(512.761)	(574.757)
Other outflows of cash	24	4.122	(55.353)
Net cash generated from operating activities		17.390.703	15.681.072

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 YEAR ENDED 31 DECEMBER 2022

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

		Current Period	Prior Period
		Audited	Audited
	<i>Notes</i>	1 January - 31 December 2022	1 January - 31 December 2021
Cash flows used in investing activities:			
Cash outflows arising from capital advance payments to associates and/or joint ventures	14	(10.925)	(7.555)
Proceeds from sale of property, plant, equipment and intangible assets			
- Proceeds from sales of property, plant and equipment		1.343.893	1.290.068
Purchases of property, plant, equipment and intangible assets			
- Purchase of property, plant and equipment		(7.637.397)	(4.099.756)
- Purchase of intangible assets		(6.368.673)	(4.575.845)
Cash outflows arising from acquisition of shares or debt instruments of other businesses or funds		(5.342.832)	-
Cash inflows arising from acquisition of shares or debt instruments of other businesses or funds		1.874.648	-
Net cash used in investing activities		(16.141.286)	(7.393.088)
Cash flows from financing activities:			
Proceed from borrowings			
- Proceeds from loans		8.649.682	3.305.686
- Cash inflows from issued debt instruments		2.330.150	-
Repayments of borrowings			
- Loan repayments		(8.221.309)	(7.252.780)
- Payment of issued of debt instruments		(1.511.513)	-
Payments of lease liabilities, net	24	(1.325.246)	(989.577)
Cash inflows / (outflows) from derivative instruments, net	24	3.109.537	2.641.504
Dividends paid	22	(4.954.565)	(1.872.535)
Interest paid		(2.336.194)	(1.974.081)
Interest received		276.203	121.761
Other cash (outflows) / inflows	24	(466.641)	(770.604)
Net cash used in financing activities		(4.449.896)	(6.790.626)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES		(3.200.479)	1.497.358
IMPACT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		307.871	477.410
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		6.344.885	4.370.117
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	3.452.277	6.344.885

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

1. REPORTING ENTITY

Türk Telekomünikasyon Anonim Şirketi (“Türk Telekom” or “the Company”) is a joint stock company incorporated in Turkey. The Company has its history in the Posthane-i Amirane (Department of Post Office) which was originally established as a Ministry on 23 October 1840. On 4 February 1924, under the Telephone and Telegraph, the authorization to install and operate telephone networks throughout Turkey was given to the General Directorate of Post, Telegraph and Telephone (“PTT”). The Company was founded on 24 April 1995 as a result of the split of the telecommunication and postal services formerly carried out by the PTT. All of the personnel, assets and obligations of the PTT pertaining to telecommunication services were transferred to the Company, the shares of which were fully owned by the Republic of Turkey Ministry of Treasury and Finance (“the Treasury”).

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

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

As per the regulatory disclosure made by Türk Telekom on 15 August 2018, within the scope of the process, which is carried out in relation to takeover of OTAŞ’s 55% shares in our Company, Türk Telekom, by a special purpose vehicle (“SPV”), which the creditor banks of OTAŞ will be shareholders, a notification was made to our company by some of the creditor banks.

The SPV mentioned in the said statements, LYY Telekomünikasyon A.Ş. (“LYY”) has informed the Company that in accordance with Article 198 of the Turkish Commercial Code, all of the Group A shares, which constitute 55% of the Company's capital, have been transferred to LYY as of December 21, 2018. Based on this notification, LYY has been registered as a shareholder in the Company’s share book pursuant to Article 499 of the Turkish Commercial Code.

In the material event statement dated March 10, 2022 made by the company, LYY Telekomünikasyon A.Ş. (LYY), 55% owned by Türk Telekomünikasyon A.Ş. (Türk Telekom) share to the Turkey Wealth Fund (TWF), a share transfer agreement was signed between the parties, after the necessary approvals were obtained and the closing conditions were fulfilled, in the material event statement dated 31 March 2022, the transfer of the shares was completed, after the transfer, on 31 March 2022. It has been reported that the Turkish Wealth Fund (TWF) is the largest shareholder of Türk Telekom with 61,68% shareholding as of date.

Following the signing of the share transfer agreement stated in the aforementioned explanations, the Company was informed that as of March 31, 2022, all of the A Group shares, which constitute 55% of the Company's capital, were transferred to TWF in accordance with Article 198 of the Turkish Commercial Code. Based on this notification, TWF was registered as a new shareholder in the Company’s share book in accordance with Article 499 of the Turkish Commercial Code.

As at 31 December 2022, the parent company and controlling party of the Company is Turkish Wealth Fund.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

1. REPORTING ENTITY (CONTINUED)

A concession agreement (“the Concession Agreement”) was signed by the Company and Turkish Telecommunication Authority (now named the Information and Communication Technologies Authority (“ICTA”) as at 14 November 2005. The Concession Agreement covers the provision of all kinds of telecommunication services, establishment of necessary telecommunications facilities and the use of such facilities by other licensed operators and the marketing and supply of telecommunication services for 25 years starting from 28 February 2001. The Concession Agreement will terminate on 28 February 2026 and in the conditions where the Concession Agreement is expired or not renewed, the Company shall transfer all equipment that affects the operation of its systems in full working order and the real estates in its use where these equipment are deployed to the ICTA or to an institution designated by the ICTA.

The Concession Agreement will expire at the end of its time period. However, the Company may apply to the ICTA and request for extension thereof no later than 1 year prior to the expiry of the duration of the Concession Agreement. The ICTA may decide to renew the Concession Agreement at the latest before 180 days of the date of expiration taking into account new conditions and within the scope of the legislation and the regulations of the ICTA. On 3 January 2023, the Company applied to the ICTA for the extension of the concession agreement for the execution of telecommunication services.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

1. REPORTING ENTITY (CONTINUED)

The details of the Company’s subsidiaries as at 31 December 2022 and 31 December 2021 are as follows:

Name of Subsidiary	Place of incorporation and operation	Principal activity	Functional Currency	Effective ownership of the Company (%)	
				31 December 2022	31 December 2021
TTNet Anonim Şirketi (“TTNet”)	Turkey	Internet service provider	Turkish Lira	100	100
TT Mobil İletişim Hizmetleri A.Ş.(“TT Mobil”)	Turkey	GSM operator	Turkish Lira	100	100
Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret Anonim Şirketi(“Argela”)	Turkey	Telecommunication solutions	Turkish Lira	100	100
Innova Bilişim Çözümleri Anonim Şirketi (“Innova”)	Turkey	Telecommunication solutions	Turkish Lira	100	100
Assist Rehberlik ve Müşteri Hizmetleri Anonim Şirketi (“AssisTT”)	Turkey	Call center and customer relations	Turkish Lira	100	100
Sebit Eğitim ve Bilgi Teknolojileri A.Ş.(“Sebit”)	Turkey	Web Based Learning	Turkish Lira	100	100
NETSIA Inc.	USA	Telecommunications solutions	U.S. Dollar	100	100
Sebit LLC	USA	Web based learning	U.S. Dollar	100	100
TT International Holding B.V.(“TT International”) (*)	Netherlands	Holding company	Euro	100	100
Türk Telekom International AT GmbH (“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
Türk Telekom International SRB d.o.o (“TTINT Serbia”) (*)	Serbia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
TTINT Telekomunikacije d.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 LLC (“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 MK DOOEL (“TTINT Macedonia”) (*)	Macedonia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International RU LLC (“TTINT Russia”) (*)	Russia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekomünikasyon Euro GmbH. In Liquidation (“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 Ödeme ve Elektronik Para Hizmetleri A.Ş.	Turkey	Mobile finance	Turkish Lira	100	100
Net Ekran1 TV ve Medya Hiz. A.Ş. (“Net Ekran1”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran2 TV ve Medya Hiz. A.Ş. (“Net Ekran2”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran3 TV ve Medya Hiz. A.Ş. (“Net Ekran3”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran4 TV ve Medya Hiz. A.Ş. (“Net Ekran4”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran6 TV ve Medya Hiz. A.Ş. (“Net Ekran6”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran10 TV ve Medya Hiz. A.Ş. (“Net Ekran10”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran11 TV ve Medya Hiz. A.Ş. (“Net Ekran11”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
TT Satış ve Dağıtım Hizmetleri Anonim Şirketi	Turkey	Selling and distribution services	Turkish Lira	100	100
TT Ventures Proje Geliştirme A.Ş.	Turkey	Corporate venture capital	Turkish Lira	100	100
TT Destek Hizmetleri A.Ş.	Turkey	Provider of combined facilities support activities	Turkish Lira	100	100
APPYAP Teknoloji ve Bilişim A.Ş.	Turkey	Web portal and computer programming activities	Turkish Lira	100	100
TIG Finansal Teknolojiler A.Ş.	Turkey	Financial advisory services	Turkish Lira	100	100
TTG Ventures Marketing Inc.	USA	Retail and wholesale trade of software programs	U.S. Dollar	100	–
TT Ventures Girişim Sermayesi Yatırım Fonu (**)	Turkey	Venture capital investment fund	Turkish Lira	–	–
Assist Holland B.V.	Netherlands	Call center activities	Euro	100	–
TT Finansman A.Ş.	Turkey	Consumer finance company activities	Turkish Lira	100	–

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

(**) Included in the consolidated financial statements in accordance with TFRS 10 Consolidated Financial Statements.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

(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 joint operation as at 31 December 2022 and 31 December 2021 are as follows:

Name of Joint Operation	Place of incorporation and operation	Principal activity	Functional Currency	Effective ownership of the Company (%)	
				31 December 2022	31 December 2021
TT Mobil-Vodafone Evrensel İş Ortaklığı	Turkey	Internet/data services, infrastructure and wholesale voice services provider	Turkish Lira	51	51

Hereinafter, Türk Telekom and its subsidiaries and joint operations together will be referred to as “the Group”.

The Group’s principal activities include the provision of local, national, international and mobile telecommunication services, internet products and services, as well as call center and customer relationship management, technology and information management.

The Company’s registered office address is Turgut Özal Bulvarı, 06103 Aydınlıkevler, Ankara.

The number of personnel subject to collective agreement as at 31 December 2022 is 9.869 (31 December 2021: 10.230) and the number of personnel not subject to collective agreement as at 31 December 2022 is 29.564 (31 December 2021: 25.638). The total number of personnel as at 31 December 2022 and 31 December 2021 are 39.433 and 35.868, respectively.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation of the consolidated financial statements

a) Statement of compliance with TAS

The accompanying consolidated financial statements are prepared in accordance with Turkish Financial Reporting Standards (“TFRS”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”) as set out in the Communiqué numbered II-14.1 “Communiqué on Principles of Financial Reporting in Capital Markets” published in the Official Gazette numbered 28676 on 13 June 2013. TFRSs consist of standards and interpretations which are published as Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards, interpretations of TAS and interpretations of TFRS.

The consolidated financial statements are presented in accordance with the TFRS Taxonomy developed based on the Illustrative Financial Statements and User Guide published in the Official Gazette numbered 30794 on 7 June 2019.

Approval of the financial statements:

The consolidated financial statements are approved by the Company’s Board of Directors on 22 February 2023.

b) Correction of financial statements during the hyperinflationary periods

TAS 29 Financial Reporting in Hyperinflation Economies requires entities whose functional currency is that of a hyperinflationary economy to prepare their financial statements in terms of the measuring unit current at the end of the reporting period. TAS 29 describes characteristics that may indicate that an economy is hyperinflationary, and it requires all entities that report in the currency of the same hyperinflationary economy apply this Standard from the same date. Therefore, it is expected that TAS 29 will start to be applied simultaneously by all entities with the announcement of Public Oversight Accounting and Auditing Standards Authority to ensure consistency of the application required by TAS 29 throughout the country.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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

b) Correction of financial statements during the hyperinflationary periods (continued)

However, the Authority has not published any announcement that determines entities would restate their financial statements for the accounting period ending on 31 December 2022 in accordance with TAS 29.

In this context, TMS 29 is not applied and inflation adjustment has not been reflected in the financial statements as of 31 December 2022.

c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the property, plant and equipment other than lands and investment property acquisitions prior to 1 January 2000 for which the deemed cost method was applied in accordance with TAS 29 “Financial Reporting in Hyperinflationary Economies”, lands, derivative financial instruments, issued debt instruments which have been measured at fair value through profit or loss. Investment properties and tangible assets other than lands which are recognized with deemed cost method are valued with fair values as of 1 January 2000, lands accounted as property, plant and equipment, derivative financial instruments and issued debt instruments which have been measured at fair value through profit or loss, are valued with fair values as of balance sheet date. The methods used in fair value measurement are also specified in note 20 and note 33.

d) Functional and presentation currency

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

Functional currencies of the subsidiaries and Company’s joint operation are presented in Note 1. The consolidated financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with the Turkish Accounting Standards published by the POA and are presented in TL.

2.2 Basis of consolidation

The accompanying financial statements include the accounts of the parent company Türk Telekom; its subsidiaries and joint operation. The financial statements of the entities included in the consolidation have been prepared as at the date of the consolidated financial statements.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Basis of consolidation (continued)

a) Subsidiaries

As at 31 December 2022, the consolidated financial statements include the financial results of Türk Telekom and its subsidiaries that the Group has control over its financial and operational policies which are listed at Note 1.

Control is normally evidenced when the Company controls an investee if and only if the Company has all the following; a) power over the investee b) exposure, or rights, to variable returns from its involvement in the investee and c) the ability to use its power over the investee to affect the amount of company’s returns. The results of subsidiaries acquired are included in the consolidated statements of income from the effective date of acquisition as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group. The consolidated financial statements are prepared using uniform accounting policies for similar transactions and events and are prepared with the same chart of accounts of the Company.

b) Business combinations

From 1 January 2010 the Group has applied revised TFRS 3 “Business Combinations” standard. The change in accounting policy has been applied prospectively and had no effect on business combinations completed during prior periods.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquirer.

The consideration transferred is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, the liabilities incurred by the Group to former owners of the entity and the equity interests issued by the Group. When the agreement with the seller includes a clause that the consideration transferred could be adjusted for future events, the acquisition-date fair value of this contingent consideration is included in the cost of the acquisition. All transaction costs incurred by the Group have been recognized in general administrative expenses.

For each business combination, the Group elects whether it measures the non-controlling interest in the acquirer either at fair value or at the proportionate share of the acquirer’s identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquirer.

Acquisition method requires allocation of the acquisition cost to the assets acquired and liabilities assumed at their fair values on the date of acquisition. Acquired assets and liabilities and contingent liabilities assumed according to TFRS 3 are recognized at fair values on the date of the acquisition. Acquired company is consolidated starting from the date of acquisition.

If the fair values of the acquired identifiable assets, liabilities and contingent liabilities or cost of the acquisition are based on provisional assessment as at the balance sheet date, the Group made provisional accounting. Temporarily determined business combination accounting has to be completed within twelve months following the combination date and adjustment entries have to be made beginning from the combination date.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Basis of consolidation (continued)

c) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

d) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currencies of the Group entities at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated to the functional currency at the exchange rate ruling at the date. Foreign currency differences arising on translation of foreign currency transactions are recognized in the income statement, except for differences arising on qualifying cash flow hedges to the extent the hedge is effective, which are recognized in other comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to reporting currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to reporting currency at average exchange rates in the related periods.

Foreign currency differences are recognized in other comprehensive income and presented in the foreign currency translation reserve in equity.

The Group entities use USD, EUR or TL, as functional currency since these currencies are used to a significant extent in, or have a significant impact on, the operations of the related Group entities and reflect the economic substances of the underlying events and circumstances relevant to these entities. All currencies other than the functional currency selected for measuring items in the financial statements are treated as foreign currencies. Accordingly, transactions and balances not already measured in the functional currency have been remeasured to the related functional currencies. The Group uses TL as the reporting currency.

The financial statements of subsidiaries that report in the currency of an economy formerly accepted as hyperinflationary (Turkey) are restated to the unit of currency effective at the reporting date until 1 January 2005. As stated above, with the resolution dated 17 March 2005 to end the hyperinflation accounting for the periods starting after 31 December 2004, TL is not assessed as a currency of a hyperinflationary economy effective from 1 January 2005.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Basis of consolidation (continued)

d) Foreign currency (continued)

ii) Foreign operations (continued)

The foreign currency exchange rates as of the related periods are as follows:

	Average		Period end buying		Period end selling	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
EUR / TL	17,3642	10,4419	19,9349	15,0867	19,9708	15,1139
USD / TL	16,5512	8,8567	18,6983	13,3290	18,7320	13,3530

iii) Hedge of net investment in a foreign operation

The Company acquires foreign currency bank loans in order to hedge its net investment in a foreign operation. Foreign exchange gain and/or loss resulting from the subsidiary’s net investment portion of this loan is reclassified to other comprehensive income. Foreign exchange gain and/or loss resulting from the subsidiary’s net investment portion of this loan reclassified to other comprehensive income will be transferred to profit and loss in case of disposal. Tax effects of foreign exchange gain and/or loss resulting from the subsidiary’s net investment portion of this loan is recognized under other comprehensive income as well.

2.3 Summary of significant accounting policies

a) Financial instruments

i. Recognition and initial measurement

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI – equity investment, or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

a) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

This election is made on an investment-by-investment basis. The Group holds 6,84 % of shares of Cetel as equity investment and has elected to present changes in fair value of Cetel in other comprehensive income. Cost of Cetel is used as a measure for its fair value since management has insufficient more recent information to measure fair value.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets (Note 15) and equity investments measured at FVTPL.

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales.

Financial assets that are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

‘Principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

a) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest (continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Trade receivables and other receivables meet solely payments of principal and interest test since principal is the present value of the expected cash flows. Those receivables are managed in line with the held to collect business model.

Financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL	Financial assets at FVTPL are comprised of derivatives. These assets are subsequently measured at fair value. Net gains and losses, including any interest, are recognized in profit or loss.
Financial assets at amortized cost	Financial assets at amortized cost are comprised of cash and cash equivalents, trade receivables, other receivables and other assets. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.
Equity investments at FVOCI	Equity investments at FVOCI include the Group’s 6,84% of share of Cetel. These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

a) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Cash and cash equivalents

Cash and cash equivalents include cash held in cash, deposits held in banks and other liquid investments with maturities of 3 months or less. Cash and cash equivalents used in the reporting of cash flows comprise cash and cash equivalents with a maturity of less than 3 months, excluding accrued interest income and blocked deposits. The Group calculates impairment by using the expected credit loss model in cases where cash and cash equivalents are not impaired for a certain reason. The expected credit loss calculation considers the past experiences of credit losses as well as the Group's forecasts for the future.

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. The Group does not have any financial liabilities at FVTPL except for derivatives and issued debt instruments.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Non-derivative financial liabilities

The Group initially recognized debt securities issued and subordinated liabilities on the date that they were originated. All other financial liabilities were recognized initially on the trade date, which was the date that the Group becomes a party to the contractual provisions of the instrument.

The Group classified non-derivative financial liabilities into the other financial liabilities category except for issued debt instruments. Such financial liabilities were recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities were measured at amortized cost using the effective interest method.

Other financial liabilities were comprised of loans, trade and other payables, payables to related parties and other payables.

The amount of change in the fair value of the issued debt instruments at FVTPL that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income and the remaining amount of change in the fair value is recognized in profit or loss.

Trade payables were payables to third parties in relation to their capacity as suppliers. Payables stemming from transactions with parties that were not suppliers or customers which were not classified as trade payables and were not a result of financing operations were recognized as other payables.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

a) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Non-derivative financial liabilities (continued)

When a financial instrument gave rise to a contractual obligation on the part of the Group to deliver cash or another financial asset or to exchange another financial instrument under conditions that were potentially unfavourable, it was classified as a financial liability. The instrument was equity instrument if, the following were met:

a) The instrument included no contractual obligation to deliver cash or another financial asset to another entity; or to exchange financial assets or financial liabilities with another entity under conditions that were potentially unfavourable to the Group.

b) If the instrument would or might be settled in the Group’s own equity instruments, it was a non-derivative that included no contractual obligation for the Group to deliver a variable number of its own equity instruments; or a derivative that would be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Borrowing Costs

If financing costs arising from the loans are associated with acquisition or construction of qualifying assets, they are included in cost value of qualifying assets. Qualifying assets refer to assets which require a long time to be available for use or sales as intended. Other borrowing costs are accounted in statement of profit or loss in the period they occur.

iii. Derecognition

Financial assets

The Group derecognized a financial asset when the contractual rights to the cash flows from the asset expired, or it transferred the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred. Any interest in such transferred financial assets that was created or retained by the Group was recognized as a separate asset or liability.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

a) Financial instruments (continued)

v. Impairment

Financial instruments and contract assets

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- contract assets (as defined in TFRS 15).

Under TFRS 9, loss allowances are measured on either of the following bases:

- Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument; and
- 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- bank balances for which credit risk has not increased significantly since initial recognition.

Loss allowances for trade receivables, other receivables, other assets and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers bank balances to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

12-month expected credit losses are that result from possible default events within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

a) Financial instruments (continued)

v. Impairment (continued)

Financial instruments and contract assets (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls.

ECLs are discounted at the effective interest rate of the financial asset.

For trade receivables, other receivables, other assets and contract assets the Group applies the simplified approach to providing for expected credit losses prescribed in TFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. The Group performed the calculation of ECL rates separately for individual, corporate, public and wholesale customers. The ECLs were calculated based on actual credit loss experience over the past years.

Exposures within each group were segmented based on common credit risk characteristics such as delinquency status.

Actual credit loss experience was adjusted to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group’s view of economic conditions over the expected lives of the receivables. Future collection performance of receivables are estimated by considering general economic conditions to incorporate forward looking information to the expected credit loss calculations.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial re-organization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of impairment in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss. Impairment losses on other financial assets are presented under ‘general administrative expenses’, similar to the presentation under TAS 39, and not presented separately in the consolidated statement of profit or loss due to materiality considerations.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

a) Financial instruments (continued)

v. Impairment (continued)

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where trade receivables, other receivables, other assets and contract assets have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

vi. Derivative financial instruments

Cash flow hedges

The Group has adopted TFRS 9 *Financial Instruments*, replacing TAS 39 in accordance with the risk management strategy and objectives as of 1 July 2018. The high-level aim of the new hedge accounting model is that financial reporting will reflect more accurately how an entity manages its risk and the extent to which hedging mitigates those risks. Specifically, the new model aims to provide a better link between an entity’s risk management strategy, the rationale for hedging and the impact of hedging on the financial statements.

The Group enters into participating cross currency swap transactions in order to hedge the changes in cash flows of floating and fixed rate financial instruments. While applying cash flow hedge accounting, the effective portion of the changes in the fair value of the hedging instrument is accounted for under “other comprehensive income/expense items to be reclassified to profit or loss” in equity, and the ineffective portion is recognized in profit or loss. The changes recognized in equity is removed and included in profit or loss in the same period when the hedged cash flows effect the profit or loss. In addition, time value of options included in participating cross currency swaps are accounted for cost of hedging and recognized under other comprehensive income.

Under IFRS 9, a hedging relationship is discontinued in its entirety when as a whole it ceases to meet the qualifying criteria after considering the rebalancing of the hedging relationship. Voluntary discontinuation when the qualifying criteria are met is prohibited. Hedge accounting is discontinued when the risk management objective for the hedging relationship has changed, the hedging instrument expires or is sold, terminated or exercised, and there is no longer an economic relationship between the hedged item and hedging instrument or when the effect of credit risk starts dominating the value changes that result from the economic relationship.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

a) Financial instruments (continued)

vi. Derivative financial instruments (continued)

Cash flow hedges (continued)

When the Group discontinues hedge accounting for a cash flow hedge it shall account for the amount that has been accumulated in the cash flow hedge reserve in accordance as follows;

-if the hedged future cash flows are still expected to occur, that amount shall remain in the cash flow hedge reserve until the future cash flows occur.

-if the hedged future cash flows are no longer expected to occur, that amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment. A hedged future cash flow that is no longer highly probable to occur may still be expected to occur. The amount recognized in OCI prior discontinuation will be reclassified from OCI to Profit and Loss, in accordance with the contractual cash flow of the hedged item.

The new hedge effectiveness testing model is prospective only and can be qualitative, depending on the complexity of the hedge. Effectiveness range 80%-125% in TAS 39 is replaced by an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relation.

b) Property, plant and equipment

i) Recognition and measurement

Property, plant and equipment (“PPE”) of the Group other than lands is carried at cost less accumulated depreciation and any accumulated impairment losses. The Group elected to measure property, plant and equipment of the Company on a deemed cost basis in the first period of application of TAS 29 “Financial Reporting in Hyper Inflationary Economy” since detailed records of the acquisition date and costs of items of PPE were not available for the Company prior to 1 January 2000. The deemed cost values for buildings as at 1 January 2000 were appraised by CMB licensed real-estate valuation companies. The network equipment and vehicles values were appraised by Detecon International GmbH (a subsidiary of Deutsche Telecom AG).

Other than the PPE for which cost was determined on a deemed cost basis, the cost of PPE generally comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. PPE that are recognized at deemed cost basis or at cost are restated for the effects of inflation until 31 December 2004 in accordance with TAS 29.

Lands accounted as property, plant and equipment are measured at revalued amount. Revalued amount for lands is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor costs are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are calculated as the difference between the net proceeds from disposal and the carrying amount of the item and are recognized net within “income / (expense) from investing activities” in profit or loss.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

b) Property, plant and equipment (continued)

ii) Subsequent cost

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in consolidated statement of profit / (loss) as incurred.

iii) Depreciation

Depreciation is calculated effective from purchase or replacement date to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Land is not depreciated.

Useful lives of property, plant and equipment are as follows:

<u>Property plant and equipment</u>	<u>Useful life (years)</u>
Buildings	21-50 years
Outside plant	5-21 years
Transmission equipment	5-21 years
Switching equipment	5-8 years
Data networks	3-10 years
Vehicles	5 years
Furniture and fixtures	3-5 years
Set-top box and satellite receiver	4 years
Other property, plant and equipment	2-8 years

Useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The remaining useful lives of the PPE of the Company are limited to the concession periods. Considering the Concession Agreement the remaining useful lives of tangible fixed assets are 3,2 years at the most.

Leased assets are depreciated by the same method used for property and equipment over the shorter of the lease term and their useful lives.

c) Intangible assets

i) Goodwill

Goodwill that arises on the acquisition of subsidiaries is included in intangible assets.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognized amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

c) Intangible assets (continued)

i) Goodwill (continued)

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss. Transactions costs, other than those associated with the issuance of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

ii) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is charged to the consolidated income statement during the year when the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or infinite. The Group does not have any intangible assets with infinite useful lives. Intangible assets with finite lives are amortized on a straight line basis over the shorter of their useful economic lives or remaining concession period. Whenever there is an indication that the intangible asset may be impaired it is assessed for impairment. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed each financial year end at least.

Changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated income statement. The amortization periods for intangible assets are between 3 and 25 years. The remaining useful lives of the intangible items are limited to the concession period. Considering the Concession Agreement, the remaining useful lives of intangible assets are 3,2 years at the most.

iii) Research and development

Research costs are expensed as incurred. Development expenditure on an individual project is recognized as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Impairment test is performed periodically in order to identify whether there is any impairment in the development stage. After initial recognition, development costs are recognized at cost less amortization and impairment. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Periodic impairment tests are applied to the assets in order to foresee any probable impairment on the assets in the period that they are not ready for utilization yet.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

c) Intangible assets (continued)

iv) TV contents

Rights to feature contents such as films, TV shows etc. acquired under license agreements along with related obligations are recorded at the contract value when a license agreement is executed or the license period has begun. The amounts recognized are amortized on the licensing period or a per play basis over the licensing period. To the extent that it is determined that the content has no future programming usefulness and will no longer be exploited, the unamortized cost of the content is written off.

d) Investment properties

Investment properties, which are properties held to earn rent and/or for capital appreciation are measured initially at cost plus all direct transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. The Group decided to measure investment property on a deemed cost basis in the first period of application of TAS 29, since detailed records of the acquisition date and costs of items of investment property were not available prior to 1 January 2000 and restated these deemed cost basis for the effects of inflation until 31 December 2004.

Investment properties are transferred from/to property, plant and equipment when their utilization purpose is changed. When investment properties are disposed, the difference between sales revenue and the carrying amount is charged to the consolidated income statement.

Market values of the investment properties at 1 January 2000 were determined by CMB licensed independent real-estate appraisers. Following initial recognition, investment properties are carried at costs less any accumulated amortization and any accumulated impairment losses.

Depreciation is charged to investment properties excluding land, over their estimated useful economic lives, using the straight-line method. The useful lives of buildings that are owned by the Group range between 15 - 50 years. The remaining useful life of the investment property is limited by the concession agreement, except for the exception of the concession agreement. When considering the Concession agreement the remaining useful lives of investment property is 3,2 years at the most.

e) Assets held for sale

The Group classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or the group of assets held for sale) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable management must be committed to a plan to sell the asset (or the group of assets held for sale) and an active program to set the buyers and complete the plan must have been initiated. Furthermore, the asset (or the group of assets held for sale) must be actively marketed for sale at a price that is reasonable in relation to its fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

e) Assets held for sale (continued)

In case the period to complete sale of assets is extended due to circumstances which are not under the control of the Group, the assets will continue to be classified as assets held for sale provided that the Group has still an active sales program.

The Group measures assets held for sale at the lower of its carrying amount and fair value less costs to sell. The Group does not depreciate a non-current asset when it is classified as held for sale and the gain or loss arising from the sale of the assets is classified at income / expense from investing activities accounts.

f) Leases

The Group has applied TFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under TAS 17 and TFRS Interpretation 4. The details of accounting policies under TAS 17 and TFRS Interpretation 4 are disclosed separately.

g) Inventory

Inventories are recognized at the lower of cost and net realizable value. Costs comprise purchase cost and, where applicable and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value is the less marketing, selling and other various expenses to be incurred in order to realize sale.

h) Impairment

Non-financial assets

Property, plant and equipment

At each balance sheet date, the Group assesses whether there is an indication that any of its PPE and intangible assets may be impaired. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated income statement.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

h) Impairment (continued)

Non-financial assets (continued)

Property, plant and equipment (continued)

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Whenever the carrying amount exceeds the recoverable amount, an impairment loss is recognized in the consolidated income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the acquisition, irrespective of whether other assets or liabilities are assigned to these units or groups of units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amounts of the net assets assigned to the cash-generating unit, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

i) Reserve for employee severance indemnity

Payments to defined contribution retirement benefit plans are charged as an expense in the year in which the contributions relate to. Payments made to the Social Security Institution of Turkey and Turkish Republic Retirement Fund are dealt with as payments to defined contribution plans where the Group’s obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan. The Group pays contributions to the Social Security Institution of Turkey on a mandatory basis.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense in the period to which the employees’ service relates.

For defined benefit plans and other long-term employment benefits, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. The Company recognizes the service cost of the previous period as expense at the earlier of the dates below:

- a) The date of the change or reduction in the plan, and
- b) The date of the recognition of the related restructuring costs (see: TAS 37) or the benefits deriving from the termination of the employment contract,

The retirement benefit obligation recognized in consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for any unrecognized past service cost. There is no funding requirement for defined benefit plans. The Group recognizes actuarial gains and losses in the other comprehensive income.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

j) Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

k) Contingent assets and liabilities

Possible assets or obligations that arise from past events and for which their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not entirely within the control of the Group are treated as contingent assets or liabilities. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. If the possibility of transfer of assets is probable, contingent liability is recognized in the financial statements.

A contingent asset is disclosed in consolidated financial statements, when the possibility of an inflow of economic benefits to the entity is probable. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

l) Related parties

a) Parties are considered related to the Company if a person or a close member of that person's family is related to a reporting entity;

if that person:

- i. Has control or joint control over the reporting entity;
- ii. Has significant influence over the reporting entity; or
- iii. Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) The entity and the reporting entity are members of the same group.

- The entity and the company are members of the same group.
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- The entity is controlled or jointly controlled by a person identified in (a).
- A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

m) Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control over a product or service to a customer.

i) Fixed line revenues

Revenues from fixed-line telecommunication services like network access, local usage, domestic and international long distance and infrastructure leases are recognized on an accrual basis as services are provided.

Connection fees that are assessed as distinct are recognized as revenue. Connection fees for activities that are an improvement to or an extension of the Group’s own network, rather than a transfer of goods or services to the customer are determined as not distinct and no separate revenue is recognized. For distinct connection fees in a bundle, revenue recognized is measured based on their stand-alone selling prices. The stand-alone selling prices of connection fees are estimated based on expected cost plus a margin approach. Distinct connection fees are immediately recognized as revenue when connection services are provided and the cost of connection is also recognized immediately as an expense.

Revenues from sale of indefeasible right of use contracts, which are long term capacity/line rental arrangements, are accounted over the term of the contract.

ii) Mobile revenues

Revenues generated from mobile telecommunication services such as outgoing and incoming traffic, roaming revenues, revenues from value added services and monthly fees which are recognized at the time services are rendered. With respect to prepaid outgoing revenues, the Group generally collects cash in advance by selling scratch cards to dealers and distributors. In such cases, the Group does not recognize revenues until the subscribers use the service and present such amounts under deferred revenues in the consolidated financial statements.

The Group recognizes content revenue based on the agreement between the Group and the content providers. As the Group is the primary obligor of the service, the revenue received from the subscribers is presented on gross basis and the portion paid to the content providers is recognized as operating expense.

iii) Equipment sale revenues

Revenues from sales of phone device, modem and other network equipment are recorded as revenue when control over a product or service is transferred to a customer.

For bundled packages, the Group accounts for individual products and services separately if they are distinct – i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it either on its own or together with other resources that are readily available to the customer. The consideration is allocated between distinct products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Group sells those products and services separately. For items that are not sold separately the Group estimates stand-alone selling prices using the expected cost plus a margin approach. Equipment revenues are presented in other revenues. Cost of products and services are recognized as expense when related revenue is recognized.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

m) Revenue (continued)

iv) TV revenues

Revenues from TV subscriptions are charged to contract customers on a monthly basis. Revenues are invoiced and recorded as part of a periodic billing cycle, and are recognized as the services are provided. Pay-per-view revenue is recognized when the movie is rented. Advertising revenue is recognized as the commercials are aired.

v) Subscriber acquisition costs

Subscriber acquisition costs include commissions and premiums incurred for acquisition and retention of subscribers.

The Group capitalizes these commission and premiums as incremental costs of obtaining a contract with a customer and if they are expected to be recovered. Subscriber acquisition costs are amortized consistently during the subscriber life cycle and subscriber retention costs are amortized consistently during the renewal period and amortization expense is recognized in marketing, sales and distribution expenses.

vi) Significant financing component

To estimate the transaction price in a contract, the Group adjusts the promised amount of consideration for the time value of money if that contract contains a significant financing component. Significant financing component exists if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer.

Indefeasible right of use (“IRU”) contracts of the Group are adjusted for significant financing component. For bundled contracts where the control of equipment is transferred to the customer upfront but collection is made in instalments, no significant financing component is recognized based on materiality considerations.

n) Income from investing activities and expense from investing activities

Income from investing activities are comprised of incomes from scrap and property, plant and equipment sales.

Expense from investing activities are comprised of loss on sales of property, plant and equipment sales.

o) Financial income and financial expenses

The Group’s finance income and finance costs include:

- interest income;
- interest expense;
- transaction cost;
- coupon payments of bond;
- gains and losses on hedging instruments recognized in profit or loss;
- foreign currency gains or losses on financial assets and financial liabilities.

Interest income or expense is recognized using the effective interest method.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

o) Financial income and financial expenses (continued)

The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that cannot be matched with acquisition, construction or production of an asset are recognized in profit or loss by using effective interest rate.

Rediscount, interest and foreign exchange gains and losses arising from trading transactions are recognized in other operating income and expense.

Accounting for significant financing component is disclosed in detail in Note 2.4.(m).

p) Earnings per share

Earnings per share is calculated by dividing the consolidated profit/(loss) for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

r) Taxes

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in the consolidated statement of profit / (loss) except to the extent that it relates to a business combination or items recognized directly in equity or other comprehensive income.

i) Current tax

Current tax is comprised of the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Prepaid corporation taxes and corporate tax liabilities are offset when they relate to income taxes levied by the same taxation authority.

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the consolidated financial statements, have been calculated on a separate-entity basis.

ii) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

r) Taxes (continued)

ii) Deferred tax (continued)

Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group’s able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The Company and the other consolidated subsidiaries have reflected their deferred tax asset and liabilities by netting their individual balances; however, there is no netting on a consolidation basis. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized.

Deferred tax assets are recognized for unused tax loses, unused tax credits a deductible temporary differences to the extent that it is possible that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

iii) Tax exposures

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

s) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components. All operating segments’ operating results are reviewed regularly by the Group’s board of directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

t) Determination of fair values

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

t) Determination of fair values (continued)

i) Trade and other receivables

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

ii) Derivatives

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

iii) Issued debt instruments

The fair values of issued debt instruments are measured by using quoted market price at the date of valuation.

iv) Other non-derivative financial liabilities

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

v) Lands

Lands accounted as property, plant and equipment are measured at revalued amount. Revalued amount for lands is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

vi) Foreign currency protected TL Deposits

Foreign currency protected TL Deposits are a financial asset with cash flows that include principal and interest, but they also feature a derivative product, as these cash flows may change depending on the change in exchange rates. Therefore, Currency Foreign currency protected TL Deposits are considered as hybrid contracts and accounted as financial assets whose fair value is recognized in profit or loss in line with the directions of TFRS 9 regarding hybrid contracts. Changes in the fair value of foreign currency protected TL Deposits are accounted in the “Income/Expense from Investing Activities” Item in the Statement of Profit or Loss and Other Comprehensive Income.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of 1 January 2022 and thereafter. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 1 January 2022 are as follows:

Amendments to TFRS 3 - Reference to the Conceptual Framework

In July 2020, POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments must be applied prospectively.

The amendments did not have a significant impact on the financial position or performance of the Group.

Amendments to TAS 16 - Proceeds before intended use

In July 2020, POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

The amendments did not have a significant impact on the financial position or performance of the Group.

Amendments to TAS 37 - Onerous contracts - Costs of Fulfilling a Contract

In July 2020, POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a “directly related cost approach”. Amendments must be applied prospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

The amendments did not have a significant impact on the financial position or performance of the Group.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

The new standards, amendments and interpretations (continued)

i) The new standards, amendments and interpretations which are effective as at 1 January 2022 are as follows (continued):

Annual Improvements - 2018 - 2020 Cycle

In July 2020, POA issued Annual Improvements to TFRS Standards 2018–2020 Cycle, amending the followings:

- *TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter:* The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- *TFRS 9 Financial Instruments – Fees in the “10 per cent test” for derecognition of financial liabilities:* The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other’s behalf.
- *TAS 41 Agriculture – Taxation in fair value measurements:* The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

The amendments did not have a significant impact on the financial position or performance of the Group.

ii) 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, when the new standards and interpretations become effective.

Amendments to TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

The Group will wait until the final amendment to assess the impacts of the changes.

TFRS 17 - The new Standard for insurance contracts

POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted.

The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

The new standards, amendments and interpretations (continued)

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

Amendments to TAS 1 - Classification of Liabilities as Current and Non-Current Liabilities

In January 2020 and January 2023, POA issued amendments to TAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in January 2023 if an entity’s right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period (“future covenants”), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. In addition, January 2023 amendments require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity’s right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities. The amendments clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for periods beginning on or after 1 January 2024. The amendments must be applied retrospectively in accordance with TAS 8. Early application is permitted. However, an entity that applies the 2020 amendments early is also required to apply the 2023 amendments, and vice versa.

The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Amendments to TAS 8 - Definition of Accounting Estimates

In August 2021, POA issued amendments to TAS 8, in which it introduces a new definition of ‘accounting estimates’. The amendments issued to TAS 8 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the POA. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted.

Overall, the Group expects no significant impact on its balance sheet and equity.

Amendments to TAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In August 2021, POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to TAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

The new standards, amendments and interpretations (continued)

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

Amendments to TAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (continued)

In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized.

Overall, the Group expects no significant impact on its balance sheet and equity.

Amendments to TFRS 16 - Lease Liability in a Sale and Leaseback

In January 2023, POA issued amendments to TFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. In applying requirements of TFRS 16 under “Subsequent measurement of the lease liability” heading after the commencement date in a sale and leaseback transaction, the seller lessee determines ‘lease payments’ or ‘revised lease payments’ in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining ‘lease payments’ that are different from the general definition of lease payments in TFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with TAS 8. A seller-lessee applies the amendments to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. A seller-lessee applies the amendments retrospectively in accordance with TAS 8 to sale and leaseback transactions entered into after the date of initial application of TFRS 16.

The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

2.4 Significant accounting assessments, estimates and assumptions

In the process of applying the Group’s accounting policies, the management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements (excluding those involving estimations).

i) Operating Lease Commitments – Group as Lessor: The Company has entered into a cross-occupation agreement with PTT. The Group has determined that it retains all the significant risks and rewards of ownership of its properties subject to the agreement which are leased out on operating leases.

ii) Income from Sales Campaign: Group makes sales campaigns with suppliers under which they bundle telecommunication services with equipment supplied by the suppliers. The Group management accounts bundled offers as an agent if the sale transaction satisfies the below conditions:

- a) Group, has no inventory risk.
- b) Group has no responsibility on technical qualifications of equipment delivered to customers and responsibility after sale belongs to supplier.
- c) Group does not make any modification on the equipment.
- d) Group earns either a fixed rate of commission or zero profit on the transaction.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Significant accounting assessments, estimates and assumptions (continued)

iii) Prepaid Card Sales Agent - Principal Analysis: Since TT Mobil is primarily responsible for providing the service, has credit and inventory risk and determinant in setting prices; starting from April 2010, TT Mobil recognizes prepaid card incomes on a gross basis.

iv) Commission income: The Group renders intermediary collection services regarding handsets sold by the distributors at the Group exclusive sale channels. Accordingly, the arrangement with the customer includes both handset principal amount and GSM services. Total considerations have been collected from the customers with up to 24 month instalments via GSM bills where each benefit is clearly identifiable and separable. The Group does not recognize any revenues from the sale of handsets and acts as an agent since it has no control over price, nor risk on stock. However, the collection risk of handset principal amount is on the Group and the distributors collect this amount from the Group on monthly basis. Apart from the GSM revenues, since customer base and sales channels are made available to the distributors, the Group charges a commission to those distributors. This commission income is classified under other revenues and it is recognized when the handset is delivered to the customer.

v) Content Sales: Since TT Mobil is primarily responsible for providing the service, has credit and determinant in setting prices; TT Mobil recognizes content revenues on a gross basis.

vi) Liabilities within the scope of vendor financing: For capital expenditures, the Group carries out vendor financing with some of its suppliers in accordance with the agreements made with banks and those suppliers. Since the terms are not substantially different with the discounted present value of the cash flows under the new terms of the liabilities, the Group continues to classify those liabilities as trade payables.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

The Group determines whether property, plant and equipment are impaired by estimating the recoverable amount of the assets whenever there is an indication of impairment. This requires an estimation of the value in use of the cash-generating units. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows (Note 16).

The estimates used by the Group in the application of TFRS Interpretation 12 are as follows:

a) The Company assesses that approximately 30% of the foreseen network investments related to the replacement of the network equipment which are reclassified to intangible assets and which are then recognized in the financial statements as intangible assets are the contractual replacements as required by the concession agreement. The Group has provided a provision amounting to TL 10.627 (31 December 2021: TL 10.627) (Note 21) in the consolidated financial statements for the foreseen contractual replacements in the future. Aforementioned provision is the present value of the contractual replacement expenses as at 31 December 2022 that will be realized in the future. Discount rate used in the provision calculation is determined as 20,8% (31 December 2021: 16,6%).

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Significant accounting assessments, estimates and assumptions (continued)

Key sources of estimation uncertainty (continued)

b) In accordance with TFRS Interpretation 12, the Company has determined the cost of the investments in intangible assets recognized under the scope of TFRS Interpretation 12 by adding the profit margin, which is applied in the market for similar construction services, to the cost of acquiring the related network equipment. The estimated profit margin used in construction services provided in exchange for concession right is 13% (31 December 2021: 13%) for the year ended as of 31 December 2022. The profit margin of property, plant and equipment accounted within the scope of TFRS Interpretation 12 amounting to TL 3.621.093 (31 December 2021: TL 2.571.246) (Note 20) is TL 416.475 for the year ended as of 31 December 2022 (31 December 2021: TL 295.807) (Note 3).

- A deferred tax asset is recognized only to the extent that it is probable that a tax benefit will be realized in the future. If it is probable that a tax benefit will be realized, a deferred tax asset is recognized on unused tax losses, unused tax credits and other deductible temporary differences. With the expectation to recover certain part of its tax losses carried forward in Türk Telekom, TT Mobil and TTINT group has recognized deferred tax assets on statutory tax losses available for offsetting with future statutory taxable profits. Every year, the Group re-assesses its tax loss carry forwards and if there is a material change in the deferred tax asset recognized in the consolidated financial statements, the deferred tax assets are also changed (Note 11).

c) Assumptions used in the impairment test of property, plant and equipment and intangible assets have been explained in Note 16.

- For trade receivables, other receivables, other assets and contract assets the Group applies the simplified approach to providing for expected credit losses prescribed in TFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. The Group performed the calculation of ECL rates separately for individual, corporate, public and wholesale customers. The ECLs were calculated based on actual credit loss experience over the past years. Exposures within each group were segmented based on common credit risk characteristics such as delinquency status. Actual credit loss experience was adjusted to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group’s view of economic conditions over the expected lives of the receivables. Future collection performance of receivables is estimated by considering general economic conditions to incorporate forward looking information to the expected credit loss calculations.

Assumptions used by Company in goodwill impairment test are explained in Note 16. The Group determines the useful life of an asset by considering its future economic benefits. This evaluation is driven by the Group’s previous experience on similar assets. The Group also considers useful life of the asset from technical and commercial perspectives due to changes and developments in market in order to assess whether additional impairment is required or not.

There are other estimations made by the management during the determination of provisions for litigations (Note 23).

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

3. SEGMENT REPORTING

The Group has two main segments; fixed line and mobile. Fixed line services are provided by Türk Telekom, TNet, Argela, Innova, Sebit, AssisTT, TTES, TT Venture, TT Destek Hizmetleri and TTINT Group whereas mobile service is provided by TT Mobil. Group management assesses segment performance over earnings before interest, tax, depreciation and amortization (“Adjusted EBITDA”). Adjusted EBITDA is calculated by adjusting the operating income by i) adding income/expense from investing activities, depreciation, amortization and impairment expenses and ii) deducting exchange gains/losses, interest and rediscount income/ expenses on current accounts presented in other operating income and expense. Group management uses adjusted EBITDA as it is comparable with other companies in the sector. EBITDA is not a measure of financial performance indicator defined in TFRS and may not be comparable to similar indicators defined by other companies. As Group management does not monitor Group’s performance over geographical segments, geographical segment reporting is not presented. The segment results and balance sheet items are presented below:

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022**

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

3. SEGMENT REPORTING (CONTINUED)

	Fixed line		Mobile		Intra-group eliminations and consolidated adjustments		Consolidated	
	1 January - 31 December 2022	1 January - 31 December 2021	1 January - 31 December 2022	1 January - 31 December 2021	1 January - 31 December 2022	1 January - 31 December 2021	1 January - 31 December 2022	1 January - 31 December 2021
Revenue (*)	34.251.493	25.270.763	16.457.267	11.526.324	(2.666.475)	(2.524.153)	48.042.285	34.272.934
International revenue	3.186.607	2.004.470	–	–	–	–	3.186.607	2.004.470
Contributive revenue (**)	31.665.699	22.797.215	16.376.586	11.475.719	–	–	48.042.285	34.272.934
EBITDA	13.297.448	12.852.215	5.893.712	3.581.936	(43.557)	(19.022)	19.147.603	16.415.129
Contributive adjusted EBITDA (***)	12.257.081	11.423.383	6.890.522	4.991.746	–	–	19.147.603	16.415.129
Capital expenditure (****)	10.028.558	6.342.797	3.947.724	2.484.772	(44.930)	(22.856)	13.931.352	8.804.713
Impairments losses, net	(175.611)	(172.325)	(35.999)	(47.915)	–	–	(211.610)	(220.240)
Depreciation and amortization	(5.027.433)	(3.471.892)	(3.057.109)	(2.697.433)	–	–	(8.084.542)	(6.169.325)

(*) “Revenue” includes international revenue.

(**) “Contributive revenue” represents operating segments’ revenues from companies other than those included in the consolidated financial statements. Group management still monitors financial performance of the segments based on their separate financial statements and because of this there is no change at the segment information disclosed. However, contribution of operating segments on the Group’s revenue is presented to give additional information to the readers of the financial statements.

(***) “Contributive EBITDA” represents operating segments’ EBITDA arose from transactions with companies other than those included in the consolidated financial statements and revised by allocation of intra-group charges for shared costs. Group management still monitors financial performance of the segments based on their separate financial statements and because of this there is no change at the segment information disclosed. However, contribution of operating segments on the Group’s revenue is presented to give additional information to the readers of the financial statements.

(****) Capital expenditures do not include TL 416.475 (31 December 2021: TL 295.807) amounted profit margin which is capitalized on intangible assets that are accounted within the scope of TFRS Interpretation 12.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022**

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

3. SEGMENT REPORTING (CONTINUED)

	1 January - 31 December 2022	1 January - 31 December 2021
Fixed line contributive EBITDA	12.257.081	11.423.383
Mobile contributive EBITDA	6.890.522	4.991.746
EBITDA	19.147.603	16.415.129
Foreign exchange gains, interest income, discount income on current accounts presented in other operating income	1.671.185	261.406
Foreign exchange losses, interest income, discount income on current accounts presented in other operating expense (-)	(1.005.553)	(1.422.942)
Financial income	2.948.624	5.015.420
Financial expense (-)	(12.824.112)	(8.445.964)
Depreciation, amortisation and impairment	(8.101.273)	(6.202.207)
Consolidated profit before tax	1.836.474	5.620.842

31 December 2022	Fixed Line	Mobile	Eliminations	Consolidated
Total segment assets	63.508.611	22.237.665	(5.014.572)	80.731.704
Total segment liabilities	(57.536.659)	(8.239.338)	5.014.572	(60.761.425)
Goodwill	15.250	29.694	-	44.944
Assets held for sale	-	37.361	-	37.361

31 December 2021	Fixed Line	Mobile	Eliminations	Consolidated
Total segment assets	44.381.665	15.362.791	(1.406.821)	58.337.635
Total segment liabilities	(39.679.923)	(5.814.629)	1.406.821	(44.087.731)
Goodwill	15.250	29.694	-	44.944
Assets held for sale	19.057	37.361	-	56.418

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

4. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash on hand	1.645	519
Cash at banks - demand deposit	948.236	933.296
Cash at banks - time deposit	3.574.795	6.763.055
Liquid fund (*)	600.223	–
	5.124.899	7.696.870

(*) Consists of a highly liquid, short-term liquid fund with immaterial risk of change in fair value

As of 31 December 2022, time deposits are all short-term, maturing within one month and denominated in both foreign currencies and TL. The interest rates are between 9% and 22% for TL deposits, between 0,50% and 5,15% for USD deposits and between 1,25% and 2,5% for EUR deposits (31 December 2021: for TL deposits between 5,50% and 20%, for USD deposits between 0,20% and 1,50%, for EUR deposits between 0,25% and 0,65%).

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

	31 December 2022	31 December 2021
Cash and cash equivalents	5.124.899	7.696.870
Less: restricted amounts		
- Collection protocols and ATM collection	(413.608)	(417.731)
- Other	(1.259.014)	(934.254)
Unrestricted cash	3.452.277	6.344.885

The Group classifies blocked cash amounts under cash and cash equivalents as they are easily convertible into cash and highly liquid assets that are not exposed to impairment loss.

As of 31 December 2022, demand deposits amounting to TL 413.608 is restricted due to collection protocols signed with banks for receipts from the subscribers, under which proceeds are made available to the Group a certain number of days after the cash is collected. As of 31 December 2022, Other restricted amounts consist of blocked deposits related to Group’s derivative financial instruments.

As of 31 December 2022, the Group maintains available credit line amounting to EUR 59.910 until 1 July 2023, EUR 46.221 until 1 July 2024, EUR 128.017 until 18 October 2025 which in total amounted to EUR 234.148.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

5. FINANCIAL LIABILITIES

Bank loans

	31 December 2022			31 December 2021		
	Weighted average nominal interest rate (%)	Original amount	TL equivalent	Weighted average nominal interest rate (%)	Original amount	TL equivalent
Short-term bank loans:						
Unsecured TL bank loans with fixed interest rates (***)	17,07	4.667.093	4.667.093	16,37	180.635	180.635
TL bank loans with variable interest rates	14,86	30.000	30.000	–	–	–
EUR bank loans with fixed interest rates		–	–	1,45	41.000	618.555
EUR bank borrowings with variable interest rates	2,30	48.000	956.875	–	–	–
Interest accruals:						
Unsecured TL bank loans with fixed interest rates		441.285	441.285		1.531	1.531
EUR bank loans with fixed interest rates		–	–		94	1.445
Unsecured EUR bank loans with variable interest rates		587	20.372			
Short-term bank loans			6.115.625			802.166
Short-term portion of long-term bank loans:						
Unsecured USD bank loans with variable interest rates (*)	5,57	120.372	2.250.752	2,20	292.332	3.896.498
Unsecured EUR bank loans with variable interest rates (**)	2,34	75.793	1.510.917	0,87	95.501	1.440.800
Interest accruals of long-term bank loans:						
Unsecured USD bank loans with variable interest rates (*)		3.623	67.752		2.452	32.678
Unsecured EUR bank loans with variable interest rates (**)		619	3.687		291	4.386
Current portion of long-term bank loans			3.833.108			5.374.362
Total short-term bank loans			9.948.733			6.176.528
Long-term bank loans:						
Unsecured USD bank loans with variable interest rates (*)	5,57	339.452	6.347.184	2,20	369.280	4.922.130
Unsecured EUR bank loans with variable interest rates (**)	2,34	253.580	5.055.097	0,87	265.447	4.004.721
Total long-term bank loans			11.402.281			8.926.851
Total bank loans			21.351.014			15.103.379

(*) As at 31 December 2022, interest rate varies between Libor + 0,54% and 2,85% (31 December 2021: Libor + 0,54% and 2,85%).

(**) As at 31 December 2022, interest rate varies between Euribor + 0,25% and 5,90% (31 December 2021: Euribor + 0,25% and 2,00%).

(***) TL 124.995 includes of credit card debts.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

5. FINANCIAL LIABILITIES (CONTINUED)

Bank loans (continued)

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

	31 December 2022					Total	31 December 2021					Total
	Up to 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	More than 5 years		Up to 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	More than 5 years	
Unsecured TL bank loans with fixed interest rates	3.751.550	1.292.863	–	–	–	5.044.413	178.152	4.014	–	–	–	182.166
TL bank loans with variable interest rates	63.965	30.000	–	–	–	93.965	–	–	–	–	–	–
Unsecured USD bank loans with variable interest rates	308.342	2.010.162	1.989.943	3.665.869	691.372	8.665.688	125.436	3.803.740	1.433.576	3.272.751	215.803	8.851.306
Euro bank loans with fixed interest rates	–	–	–	–	–	–	1.419	618.581	–	–	–	620.000
Unsecured EUR bank loans with variable interest rates	90.901	2.400.950	1.401.453	3.459.003	194.641	7.546.948	59.836	1.385.350	1.145.840	2.493.548	365.333	5.449.907
	4.214.758	5.733.975	3.391.396	7.124.872	886.013	21.351.014	364.843	5.811.685	2.579.416	5.766.299	581.136	15.103.379

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

5. FINANCIAL LIABILITIES (CONTINUED)

Issued debt instruments

	31 December 2022			31 December 2021		
	Weighted average nominal interest rate (%)	Original amount	TL equivalent	Weighted average nominal interest rate (%)	Original amount	TL equivalent
Short-term issued debt instruments:						
TL bills, bonds and notes issued	26,71	1.330.150	1.330.150	–	–	–
Interest accruals:						
TL bills, bonds and notes issued		141.523	141.523	–	–	–
Short-term portion of long-term issued debt instruments:						
TL issued debt instruments with variable interest rates	–	–	–	15,97	150.000	150.000
Interest accruals of short-term portion of long-term issued debt instruments:						
TL issued debt instruments with variable interest rates		–	–		14.210	14.210
USD issued debt instruments with fixed interest rates		14.477	270.696		14.043	187.177
Short-term issued debt instruments			1.742.369			351.387
Long-term issued debt instruments:						
USD issued debt instruments with fixed interest rates	5,88	925.611	17.307.353	5,88	968.501	12.909.151
Long-term issued debt instruments			17.307.353			12.909.151
Total issued debt instruments			19.049.722			13.260.538

The sales process of the bond issuances amounted to USD 500.000 with 6 years of maturity, and 6,875% coupon rate based on 7% reoffer yield was completed on February 28th, 2019. The bonds are now quoted at Irish Stock Exchange. The part of the bond amounting to USD 17.500 was repurchased and the related amount was accounted for by deducting the amortized cost using the effective interest rate and the total bond amount.

The sales process of the bond issuances amounted to USD 500.000 with 10 years of maturity, and 4,875% coupon rate based on 4,982% reoffer yield was completed on 19 June 2014. The bonds are now quoted at Irish Stock Exchange. The part of the bond amounting to USD 20.000 was repurchased in 2019 and a portion of USD 5.000 was repurchased in 2022, the relevant amounts are accounted for by deducting the appropriate values and total bond managers.

The sales processes of the bond issuances amounted to TL 150.000 with 402-day of maturity and interest rate 1.75% over the BIST TL overnight interest rate (TLREF Index) was completed on 14 December 2020. The issuance was advised by Ak Yatırım Menkul Değerler A.Ş.

TL 5.506 other financial income from bond purchases is accounted for in the profit and loss statement.

The sales process of the bond issuance mediated by Garanti Yatırım Menkul Kıymetler A.Ş. amounted to TL 500.000 with 90 days of maturity, and 27% coupon rate was completed on June 22nd.

The sales process of the bond issuances mediated by Garanti Yatırım Menkul Kıymetler A.Ş. amounted to TL 1.330.150 within the range of 90-180 days of maturities and 20.75%-27% coupon rates were completed on September 2nd -20th, 2022. On 27 October 2022, TL 478,550 was issued with a maturity of 180 days and priced at 27% annual simple interest incoming. Garanti Yatırım Menkul Kıymetler A.Ş. mediated.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022**

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

5. FINANCIAL LIABILITIES (CONTINUED)

Issued debt instruments (continued)

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

	31 December 2022					31 December 2021				
	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
TL issued debt instruments with fixed interest rates	970.900	500.773	–	–	1.471.673	164.210	–	–	–	164.210
USD issued debt instruments with fixed interest rates	270.696	–	17.307.353	–	17.578.049	187.177	–	12.909.151	–	13.096.328
	1.241.596	500.773	17.307.353	–	19.049.722	351.387	–	12.909.151	–	13.260.538

Lease liabilities

As at 31 December 2022, obligation under leases detail are as follows:

	Currency	Interest rate type	31 December 2022		31 December 2021	
			Nominal interest rate	Carrying amount	Nominal interest rate	Carrying amount
Lease liabilities	TL	Fixed	%9,0-%21,5	1.356.699	9,0% - 20,0%	1.271.960
Lease liabilities	USD	Fixed	%4,0-%4,0	28.947	3,0% - 5,0%	51.835
Lease liabilities	EUR	Fixed	%3,3-%4,5	130.828	2,5% - 4,5%	113.047
Lease liabilities	Other	Fixed	%3,2	3.142	3,3%	2.618
				1.519.616		1.439.460

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

6. TRADE RECEIVABLES FROM AND PAYABLES TO UNRELATED PARTIES

Trade receivables

	31 December 2022	31 December 2021
Short-term		
Receivables from subscribers	11.688.631	10.032.741
Other trade receivables (*)	669.373	442.390
Allowance for doubtful receivables (-)	(4.108.271)	(3.946.503)
Total short-term trade receivables	8.249.733	6.528.628
Long-term		
Receivables from subscribers	185.720	127.851
Total long-term trade receivables	185.720	127.851

(*) Other trade receivables mainly consist of corporate project receivables.

Trade receivables generally have a maturity term of 60 days on average (31 December 2021: 60 days).

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

	1 January - 31 December 2022	1 January - 31 December 2021
At January 1	(3.946.503)	(3.754.151)
Provision for the year, net	(153.982)	(173.323)
Change in currency translation differences	(7.786)	(19.029)
At 31 December	(4.108.271)	(3.946.503)

The Group waits up to 90 days before initiating legal action for overdue receivables. Based on its previous collection performance from overdue receivables, the Company expects to make significant collections from its overdue receivables.

Receivables guaranteed of the Group are amounted to TL 341.361.

Contract assets from unrelated parties

	31 December 2022	31 December 2021
Short-term		
Contract assets from sale of goods and service contracts	1.395.079	951.675
	1.395.079	951.675
Long-term		
Contract assets from sale of goods and service contracts	35.799	55.377
	35.799	55.377

The contract assets represent contract assets from subscribers. Due to the high volume of subscribers, different billing period are available, an accrual is made at the end of each reporting period to accrue revenue for services rendered but not billed. In addition, income an accrual is made for the not billed of the contributions services.

As of the reporting period, the portion of the accrued income to be invoiced one year later is presented in the long term contract assets.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

6. TRADE RECEIVABLES FROM AND PAYABLES TO UNRELATED PARTIES (CONTINUED)

Trade payables from unrelated parties

	31 December 2022	31 December 2021
Short-term		
Trade payables	8.453.249	7.065.738
Expense accruals	841.503	663.409
Total short-term trade payables	9.294.752	7.729.147

The average maturity term of trade payables is between 30 and 150 days (31 December 2021: 30 and 150 days).

As of 31 December 2022, short term trade payables consists of payables within scope of supplier finance that amounting TL 275.616 (31 December 2021: TL 999.666).

7. RIGHT OF USE ASSETS

The carrying amounts of right-of-use assets as of 31 December 2022 are as below:

	31 December 2022	31 December 2021
Site rent	1.128.717	1.006.892
Building	322.763	179.201
Vehicles	263.542	331.317
Other	85.650	61.483
Right of use assets	1.800.672	1.578.893

As at 31 December 2022 the Group capitalized TL 1.252.192 right of use asset (31 December 2021: TL 835.616).

As at 31 December 2022, the Group recognised TL 975.895 of depreciation charges (Field rent: TL 510.810, Building: TL 165.738 and Vehicle: TL 299.347) (31 December 2021: TL 760.041) and TL 245.492 of financial expense from these leases (31 December 2021 : TL 291.854).

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

(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 and 61,68% ownership of Turkey Wealth Fund (“TWF”). 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.

The Group carries out transactions with many of these institutions in line with its peers. Banking transactions such as loans and deposits with banks under the control of the Turkey Wealth Fund or in which it has significant influence are also carried out in accordance with their peers. Other transactions consist of corporate tax, value added tax, special communication tax, treasury share and regulatory fees such as fees.

TWF has become a party to holding power of control and the majority shareholder of The Group following the share transfer on 31 March 2022. Due to the change of the ultimate parent, the Group revaluated the related party entities and reflected the transactions on 31 December 2022 financial statements.

Related party disclosures include the transactions realized until 31 March 2022 of the companies that were related parties until the share transfer on 31 March 2022 and unrecognised to be related parties after the share transfer. The updated related parties with the share transfer realized on 31 March 2022 include the transactions between 31 March 2022 and 31 December 2022.

As of 31 December 2022, related party balances include the balances of updated related parties with the share transfer on 31 March 2022. These balances may also include balances from transactions occurred before 31 March, 2022

Details of balances and transactions between the Group and other related parties as at 31 December 2022 and 31 December 2021 are disclosed below:

	31 December 2022	31 December 2021
Due from related parties (Trade receivables-short term)		
Türkiye Garanti Bankası A.Ş.	–	45.378
Akbank T.A.Ş.	–	6.292
Türkiye İş Bankası A.Ş.	–	2.199
Other (*)	508.513	–
	508.513	53.869

	31 December 2022	31 December 2021
Due from related parties (Trade payables-short term)		
Other (*)	173.777	–
	173.777	–

(*) In accordance with the share transfer agreement signed between Turkey Wealth Fund (“TWF”) and LYY Telekomünikasyon A.Ş. (“LYY”) dated 31 March 2022, TWF and the entities over which TWF has control directly or joint control or significant influence defined as related parties as of 31 March 2022.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

(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)

Deposits held by related parties	31 December 2022	31 December 2021
Time Deposit		
T.C. Ziraat Bankası A.Ş.	714.375	–
Türkiye Vakıflar Bankası Türk Anonim Ortaklığı	1.083.398	–
Türkiye Halk Bankası A.Ş.	107.553	–
Türkiye İş Bankası A.Ş.	–	172.026
Akbank T.A.Ş.	–	106.992
Türkiye Garanti Bankası A.Ş.	–	142.498
Demand Deposit		
T.C. Ziraat Bankası A.Ş.	105.703	–
Türkiye Halk Bankası A.Ş.	83.353	–
Türkiye Vakıflar Bankası Türk Anonim Ortaklığı	61.096	–
Other	11.711	17.823
	2.167.189	439.339

Bank loans from related parties	31 December 2022	31 December 2021
Türkiye Vakıflar Bankası Türk Anonim Ortaklığı	394.145	–
T.C. Ziraat Bankası A.Ş.	943.510	–
Türkiye İş Bankası A.Ş.	–	–
Türkiye Garanti Bankası A.Ş.	–	–
Türkiye Halk Bankası A.Ş.	19.100	–
	1.356.755	–

Currency Protected Time Deposit from related parties	31 December 2022	31 December 2021
T.C. Ziraat Bankası A.Ş.	540.596	–
Türkiye Vakıflar Bankası Türk Anonim Ortaklığı	255.504	–
	796.100	–

Hedge Transactions from Related Parties			31 December 2022		31 December 2021		
Banka	Instruments Type	Currency	Nominal Amount	Fair Value Amount (TL)	Currency	Nominal Amount	Fair Value Amount (TL)
Akbank T.A.Ş.	Foreign Currency Swaps	–	–	–	EUR	49.000	70.022
Akbank T.A.Ş.	Foreign Currency Swaps	–	–	–	USD	80.000	30.967
Türkiye Garanti Bankası A.Ş.	Foreign Currency Swaps	–	–	–	USD	35.000	39.894
Türkiye Garanti Bankası A.Ş.	Foreign Currency Swaps	–	–	–	EUR	22.000	(5.332)
Türkiye Garanti Bankası A.Ş.	Forwards	–	–	–	USD	8.433	35.263
Türkiye İş Bankası A.Ş.	Foreign Currency Swaps	–	–	–	USD	35.000	50.259
							221.073

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

(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)

The amount of the guarantee given to the related companies for the financing of the device purchases by the distributor companies and sold to the Group customers within the scope of the committed campaigns is disclosed in Note 12.

Transactions with shareholders:

TT Mobil is required under the terms of the TT Mobil Concession Agreement, to pay 15% share to the Treasury (the Treasury Share) of its monthly gross revenue. Besides, the Company and its other subsidiaries that are operating in the telecommunications sector are required to pay universal service fund at 1% of their net revenues of each year and ICTA share at 0,35% of revenues to the Ministry of Transport, Maritime Affairs and Communications under the law Global Service Act numbered 5369. Also, according to Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation, TT Mobil is required to pay 5% share (radio fee) of its monthly net revenue to ICTA.

As of 31 December 2022, 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.

Transactions with related parties:

	1 January - 31 December 2022	1 January - 31 December 2021
Interest income from related parties		
Türkiye Vakıflar Bankası Türk Anonim Ortaklığı (*)	88.387	–
T.C. Ziraat Bankası A.Ş. (*)	70.646	–
Akbank T.A.Ş. (*)	–	5.037
Türkiye Garanti Bankası A.Ş. (*)	–	824
Other (**)	13.603	–
	172.636	5.861
Interest expense from related parties		
Türkiye Vakıflar Bankası Türk Anonim Ortaklığı (*)	72.879	–
T.C. Ziraat Bankası A.Ş. (*)	84.713	–
Türkiye Garanti Bankası A.Ş. (*)	–	22.258
Türkiye İş Bankası A.Ş. (*)	–	19.522
Akbank T.A.Ş. (*)	–	18.986
Other	35.000	–
	192.592	60.766
Other income from related parties		
Turkcell İletişim Hizmetleri A.Ş. (*)	628.068	–
Superonline İletişim Hizmetleri A.Ş. (*)	575.869	–
Türksat Uydu Haberleşme Kablo TV ve İşletme A.Ş. (*)	487.429	–
Türkiye Garanti Bankası A.Ş. (*)	–	151.360
Akbank T.A.Ş. (*)	–	109.219
THY A.O. (*)	149.163	–
Enerji Piyasaları İşletme A.Ş. (*)	142.968	–
Türkiye Halk Bankası A.Ş. (*)	51.802	–
T.C. Ziraat Bankası A.Ş. (*)	55.497	–
Türkiye Vakıflar Bankası Türk Anonim Ortaklığı (*)	37.077	–
Türkiye İş Bankası A.Ş. (*)	–	15.971
Other (**)	165.937	–
	2.293.810	276.550

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

(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)

Transactions with related parties (continued):

	1 January - 31 December 2022	1 January - 31 December 2021
Other expenses from related parties		
Turkcell İletişim Hizmetleri A.Ş. (*)	590.151	–
Enerji Piyasaları İşletme A.Ş. (*)	422.722	–
PTT A.Ş. (*)	203.529	–
Türksat Uydu Haberleşme Kablo TV ve İşletme A.Ş. (*)	78.610	–
THY A.O. (*)	51.535	–
Kule Hizmet ve İşletmecilik A.Ş. (*)	45.428	–
Other	19.245	–
	1.411.220	–

(*) Includes transactions between 1 April, 2022 - 31 December 2022.

(**) Revenues from LYY companies include the period 1 January 2022 - 31 March 2022 for the year 2022, and the period 1 January 2021 - 31 December 2021 for 2022.

The Group generates revenues from related parties by providing fixed voice, corporate data, mobile and internet services. The Group's related party expenses consist of energy, call termination, billing and content, satellite frequency-base services.

Compensation of key management personnel

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

	1 January - 31 December 2022	1 January - 31 December 2021
Short-term benefits	138.853	109.771
Long-term benefits	3.791	2.624
	142.644	112.395

Key management personnel comprise the Group's members of Board of Directors and top managers.

9. OTHER RECEIVABLES AND PAYABLES

Other short term receivable

	31 December 2022	31 December 2021
Other short term receivable	150.467	107.525
Deposits and guarantees given	11.394	5.396
Other doubtful receivables	57.006	43.136
Allowance for other doubtful receivables (-)	(57.006)	(43.136)
	161.861	112.921

As of 31 December 2022, TL 62.544 (31 December 2021: TL 37.695) portion of other short term receivables consists of receivables from Ministry of Transport and Communications due to the expenses made under Universal Service Fund.

As of 31 December 2022, other doubtful provision amounting to TL 23.775 (31 December 2021: TL 5.147) is provided while TL 9.905 (31 December 2021: TL 3.377) is reversed.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

9. OTHER RECEIVABLES AND PAYABLES (continued)

Other long term receivables

	31 December 2022	31 December 2021
Deposits and guarantees given	73.958	38.739
	73.958	38.739

Other short term payable

	31 December 2022	31 December 2021
Taxes and duties payable	715.449	463.270
ICTA shares	335.225	233.091
Universal Service Fund (*)	323.236	253.180
Treasury share accruals	307.289	186.443
Other payables (**)	133.422	259.744
	1.814.621	1.395.728

(*) According to the article numbered 5369 related with “International Service Fund” published on 16 June 2005, Türk Telekom, TTNNet and AssisTT will contribute 1% of their net revenues of each year to the Ministry of Transportation as Universal Service Fund. The contribution is payable by the end of April of the following year.

(**) As of 31 December 2022, amounting to TL 84.506 in other short term payables is comprised of guarantees given for borrowings of distributors which are utilized in financing of equipment purchases that will be sold to Group’s customers as part of commitment sales.

Other long term payables

	31 December 2022	31 December 2021
Deposits and guarantees received	58.125	40.299
	58.125	40.299

10. INVENTORIES

The Group has inventory amounting to TL 682.708 as at 31 December 2022 (31 December 2021: TL 439.933). Major part of this balance is composed of modems, computer, tablet, dect phones, cable, cable box and SIM cards.

11. DEFERRED TAX ASSETS AND LIABILITIES

The Group calculates deferred tax assets and liabilities based on temporary differences arising between the carrying amount of assets and liabilities as reported under Turkish Accounting Standards and their tax base for statutory purposes. These temporary differences are mainly due to the timing differences of certain income and expense items in statutory and Turkish Accounting Standards financial statement as disclosed below.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

11. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

As at 31 December 2022, 20% tax rate is used for the calculation of deferred tax assets and liabilities (31 December 2021: 20% and 23%).

	Deferred tax assets		Deferred tax liability		Deferred tax asset / (liability), net	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Deferred tax asset recognized from tax losses carried forward	1.384.783	1.064.193	–	–	1.384.783	1.064.193
Deferred tax asset arising from capital increase	372.663	329.864	–	–	372.663	329.864
Deferred tax asset recognized from capital allowance	1.250.619	690.962	–	–	1.250.619	690.962
Provision for long-term employee benefits	417.075	209.527	–	–	417.075	209.527
Provision for doubtful receivables	46.980	34.332	–	(6.148)	46.980	28.184
Derivative instruments	–	–	(690.727)	(720.989)	(690.727)	(720.989)
Issued debt instruments	30.043	33.254	–	–	30.043	33.254
Temporary differences on property, plant and equipment / intangible assets	2.235.652	754.737	(1.593.683)	(989.415)	641.969	(234.678)
R&D investment incentive	436.499	184.701	–	–	436.499	184.701
Other	652.647	1.543.023	(412.689)	(1.068.614)	239.958	474.409
Deferred tax asset / (liability) before net-off	6.826.961	4.844.593	(2.697.099)	(2.785.166)	4.129.862	2.059.427
Net-off of tax	(2.409.202)	(2.482.186)	2.409.202	2.482.186	–	–
Net deferred tax asset / (liability)	4.417.759	2.362.407	(287.897)	(302.980)	4.129.862	2.059.427

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

11. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

In the consolidated financial statements for the period ended 31 December 2022, the Group has accounted deferred tax assets amounting to TL 1.384.783 for the deductible losses . (31 December 2021: TL 1.064.193). The expiry dates of them are as follows:

	31 December 2022
2023	37.973
2024	2.101
2025	15.762
2026	590.311
2027	732.812
2028	519
2029	1.728
Unlimited	3.577
	1.384.783

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

Other current assets

	31 December 2022	31 December 2021
Value Added Tax ("VAT") and Special Communication Tax ("SCT")	462.209	336.480
Intermediary services for collection (*)	230.522	155.026
Advances given (**)	967	15.828
Other current assets	3.213	40.794
	696.911	548.128

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

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

Other current liabilities

	31 December 2022	31 December 2021
Other liabilities	171.723	21.489
	171.723	21.489

Employee benefit obligations

	31 December 2022	31 December 2021
Social security premiums payable	375.240	85.148
Payables to personnel	122.375	51.185
Employee's income tax payables	106.914	78.781
	604.529	215.114

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

13. PREPAID EXPENSES AND DEFERRED REVENUES

Short-term prepaid expenses

	31 December 2022	31 December 2021
Other prepaid expenses (*)	426.956	362.328
Prepaid rent expenses	20.305	20.579
	447.261	382.907

(*) Other short-term prepaid expenses consist of advances given for fixed asset purchases, prepaid insurance, prepaid maintenance, prepaid advertising and other prepaid expenses.

Long-term prepaid expenses

	31 December 2022	31 December 2021
Other prepaid expenses	177.748	18.565
Prepaid rent expenses	770	1.433
	178.518	19.998

Short-term contract liabilities

	31 December 2022	31 December 2021
Contract liabilities from sale of goods and service contracts (*)	1.009.561	713.389
	1.009.561	713.389

(*) Short-term contract liabilities mainly consist of invoiced but unconsumed minutes, deferred monthly fixed fee revenues due to the allocation of total consideration in the contract to all products and services under TFRS 15 and TTINT’s indefeasible right of use contracts.

Long-term contract liabilities

	31 December 2022	31 December 2021
Contract liabilities from sale of goods and service contracts (*)	1.991.476	1.417.662
	1.991.476	1.417.662

(*) TL 212.238 of the long-term contract liabilities consist of advances received from customer and the remaining mainly consist of TTINT’s indefeasible right of use contracts. As of 31 December 2022, Group is expected that 20% of the liabilities arising from long-term contract liabilities will be recognised as revenue in 2024 and 80% in the following years.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

14. FINANCIAL INVESTMENTS

	31 December 2022	31 December 2021
Short term financial assets		
Currency protected time deposit (*)	4.880.842	–
Long term financial assets		
Other	24.596	13.671
	4.905.438	13.671

(*) Currency protected time deposit accounts are classified as financial assets at fair value through profit or loss.

The Group has converted its foreign currency deposit account amounting to USD 248.200 into “Currency Protected TL Time Deposit Accounts”. Maturity of currency protected time deposit accounts is between 180-360 days.

15. DERIVATIVE FINANCIAL INSTRUMENTS

Cash flow hedges and derivative financial instruments

In the periods in which the cash flows related to the hedged item affect profit or loss, accumulated gain/loss of related hedged instruments in equity are reclassified in profit or loss, As of the nine months period ended 31 December 2022, TL 705.750 are reclassified to financial expenses in the statement of profit or loss from gain on cash flow hedges in equity.

Cross currency swap transaction

As of 31 December 2022 fair value of participating cross currency swap transactions amounting to TL 3.733.650 has been recognized under short term derivative financial assets (31 December 2021: TL 3.165.341 short term derivative financial assets).

Company	Notional Amount (USD)	Trade Date	Amendment Date	Terms	Fair Value Amount as at 31 December 2022 (TL)
Türk Telekom	500.000	31 March 2016 - 15 December 2017	21 October 2020 - 28 January 2021	Pay TL and receive USD at June 2024	1.754.580
Türk Telekom	88.500	14 November 2018 - 25 October 2018 - 18 July 2019	11 - 21 June 2021	Pay TL and receive USD between October 2019 - April 2024	441.164
Türk Telekom	38.710	17 December 2020 - 27 September 2019 - 6 September 2021	11 June 2021	Pay TL and receive USD between April 2019 - April 2025	163.130
Türk Telekom	50.000	13 November 2018 - 19 July 2019	14 June 2021	Pay TL and receive USD between April 2019 - April 2025	210.104
Türk Telekom	40.986	19 July 2019	12 November - 2 December 2020	Pay TL and receive USD between March 2020 - September 2025	150.128
Türk Telekom	34.690	27 - 28 March 2018	12 November - 2 December 2020	Pay TL and receive USD between September 2019 - September 2025	143.384
Türk Telekom	54.545 (*)	16 August 2021	12 November - 2 December 2020	Pay TL and receive EUR between December 2020 - December 2025	401.304
Türk Telekom	43.172 (*)	18 August 2021		Pay TL and receive EUR between September 2021 - March 2026	159.741
Türk Telekom	37.330 (*)	13 August 2021		Pay TL and receive EUR between October - December 2025	153.181
Türk Telekom	29.009 (*)	27 - 28 June 2019	10 November 2021	Pay TL and receive EUR between October 2021 - December 2025	107.197
Türk Telekom	12.633 (*)	27 - 28 June 2019	10 November 2021	Pay TL and receive EUR between September 2019 - September 2024	49.737
					3.733.650

(*) Nominal amount of indicated operations are Euro.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedges and derivative financial instruments (continued)

Cross currency swap transaction (continued)

Company	Notional Amount (USD)	Trade Date	Amendment Date	Terms	Fair Value Amount as at 31 December 2021 (TL)
Türk Telekom	500.000	31 March 2016 - 15 December 2017	21 October 2020 - 28 January 2021	Pay TL and receive USD at June 2024	1.176.818
Türk Telekom	109.500	14 November 2018 - 27 - 28 September 2018	11 - 21 June 2021	Pay TL and receive USD between October 2019 - April 2024	312.857
Türk Telekom	100.000		17 - 26 November 2020	Pay TL and receive USD at April 2021	284.806
Türk Telekom	73.444	6 - 8 January 2020		Pay TL and receive USD between January 2020 - October 2022	160.441
Türk Telekom	54.647	25 October 2018 - 18 July 2019	11 June 2021	Pay TL and receive USD between April 2020 - October 2022	112.946
Türk Telekom	54.190	22 - 23 July 2019		Pay TL and receive USD between April 2019 - April 2025	133.978
Türk Telekom	50.000	27 July 2019 - 6 July 2021		Pay TL and receive USD between October 2019 - October 2022	141.329
Türk Telekom	49.686	13 November 2018 - 19 July 2019	14 June 2021	Pay TL and receive USD between March 2020 - September 2025	124.503
Türk Telekom	35.542	27 - 28 September 2018	4 June 2021	Pay TL and receive USD between September 2019 - September 2025	101.325
Türk Telekom	5.702	14 November 2018	11 - 21 June 2021	Pay TL and receive USD at July 2022	13.848
Türk Telekom	72.727 (*)	27 - 28 March 2018	12 November - 2 December 2020	Pay TL and receive USD between October 2019 - April 2024	218.336
Türk Telekom	57.063 (*)	27 - 28 June 2019		Pay TL and receive EUR between December 2020 - December 2025	78.268
Türk Telekom	48.000 (*)	4 June - 1 August 2018	12 - 26 September 2018	Pay TL and receive EUR between September 2019 - September 2024	77.911
Türk Telekom	41.000 (*)	5 August 2021		Pay TL and receive EUR between November 2018 - November 2022	58.636
Türk Telekom	38.679 (*)	16 August 2021		Pay TL and receive USD at June 2024	52.498
Türk Telekom	20.393 (*)	18 August 2021		Pay TL and receive USD at January 2021	51.598
Türk Telekom	20.000 (*)	4 June - 1 August 2018	12 - 26 September 2018	Pay TL and receive USD at April 2021	65.243
					3.165.341

(*) Nominal amount of indicated operations are Euro.

Copper hedge transactions

As of 31 December 2022 fair value of participating cross currency swap transactions amounting to TL 11.499 has been recognized under short term derivative financial assets, (31 December 2021: TL 1.782 has been recognized under short term derivative financial assets, TL 159 has been recognized under short term derivative financial liabilities.)

Company	Notional Amount (Tonnes)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 December 2022 (TL)
Türk Telekom	300	18 March - 5 April 2022	Pay floating price and receive fixed price between April - December 2023	11.499
				11.499

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedges and derivative financial instruments (continued)

Copper hedge transactions (continued)

Company	Notional Amount (Tonnes)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 December 2021 (TL)
Türk Telekom	200	7 - 10 June 2021	Pay floating price and receive fixed price at January 2022	1.782
				1.782
Company	Notional Amount (Tonnes)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 December 2021 (TL)
Türk Telekom	100	9 July 2021	Pay floating price and receive fixed price at January 2022	(159)
				(159)

Forwards

As of 31 December 2022, fair value of participating forward transactions amounting to TL 14.098 has been recognized under short-term derivative financial assets.

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 December 2022 (TL)
Türk Telekom	1.769	12 July - 2 August 2021	Pay TL and receive USD between January 2022 - January 2023	14.098
				14.098
Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 December 2021 (TL)
Türk Telekom	21.680	12 July - 2 August 2021	Pay TL and receive USD between January 2022 - January 2023	103.533
				103.533

As of 31 December 2022, the Group has 2 electricity forward transactions with a total nominal value of USD 1.769. Electricity forward contracts have been designated as a hedging instrument that may arise from the cash flows of electricity purchases in 2022 and 2023, which are likely to be realized as of October 2022 and January 2023 and are subject to cash flow hedge accounting.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate derivative instruments which are not designated as hedge

Interest rate swaps

As of 31 December 2022 fair value of interest rate derivative transactions amounting to TL 89.337 has been recognized under short term derivative financial assets (31 December 2021: TL 351.986 has been recognized under long term derivative financial liabilities, TL 39.980 has been recognized under short term derivative financial assets).

Company	Notional Amount (USD)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 December 2022 (TL)
Türk Telekom	150.000	29 April - 20 May 2014	Pay the difference between floating rate and 4% if floating rate exceeds 4%, between June 2016 - 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 - June 2024, and receive fixed premium (0,39%-0,45%)	12.380
				12.380

Company	Notional Amount (USD)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 December 2021 (TL)
Türk Telekom	300.000	29 April - 20 May 2014	Pay the difference between floating rate and 4% if floating rate exceeds 4%, between June 2016 - 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 - June 2024, and receive fixed premium (0,39%-0,45%)	39.980
				39.980

Company	Notional Amount (USD)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 December 2022 (TL)
Türk Telekom	150.000	29 April - 20 May 2014	Pay fixed rates and receive floating rates between June 2016 - June 2024	38.617
Türk Telekom	150.000	15 May - 16 May 2014	Pay fixed rates and receive rates between June 2016 - August 2016 and June 2024 - August 2024	38.340
				76.957

Company	Notional Amount (USD)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 December 2021 (TL)
Türk Telekom	300.000	29 April - 20 May 2014	Pay fixed rates and receive floating rates between June 2016 - June 2024	(292.128)
Türk Telekom	150.000	15 May - 16 May 2014	Pay fixed rates and receive rates between June 2016 - August 2016 and June 2024 - August 2024	(59.858)
				(351.986)

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cross Currency swaps instruments which are not designated as hedge

As of 31 December 2022, fair value of derivative transactions amounting to TL 233.697 is recognized under short term derivative financial assets and TL 141.527 is recognized under short term financial liabilities (31 December 2021: TL 728.427 is recognized under short term derivative financial assets and TL 114.611 is recognized under short term financial liabilities).

USD/EUR Cross Currency Swaps Instruments

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 December 2022 (TL)
TTINT Türkiye	23.333	16 June 2016	Pay EUR and receive USD between December 2016 and June 2026	51.182
				51.182

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 December 2021 (TL)
TTINT Türkiye	30.000	16 June 2016	Pay EUR and receive USD between December 2016 and June 2026	(3.047)
				(3.047)

Futures

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 December 2022 (TL)
TT Mobil	69.692	9 December - 21 December 2022	Net TL settlement at February 2023 based on the difference between contract price and contract closing price	18.883
Türk Telekom	101.202	5 December - 15 December 2022	Net TL settlement at February 2023 based on the difference between contract price and contract closing price	25.487
				44.370

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 December 2022 (TL)
TT Mobil	133.000	11 November - 16 December 2022	Net TL settlement at January 2023 based on the difference between contract price and contract closing price	(6.411)
TT	145.000	24 November - 8 December 2022	Net TL settlement at January 2023 based on the difference between contract price and contract closing price	(3.760)
				(10.171)

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cross Currency swaps instruments which are not designated as hedge (continued)

USD/EUR Cross Currency Swaps Instruments (continued)

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 December 2021 (TL)
Türk Telekom	206.202	15 November - 10 December 2021	Net TL settlement at January 2022 based on the difference between contract price and contract closing price	162.462
TT Mobil	72.692	16 November - 28 December 2021	Net TL settlement at January 2022 based on the difference between contract price and contract closing price	61.663
				224.125

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 December 2021 (TL)
TT Mobil	130.000	13 - 22 December 2021	Net TL settlement at February 2022 based on the difference between contract price and contract closing price	(91.259)
				(91.259)

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 December 2021 (TL)
Innova	5.000	23 February 2022	Pay TL and receive USD between February - June 2023	2.550
Türk Telekom	103.894	16 November - 29 December 2022	Pay TL and receive USD between January - March 2023	14.221
Türk Telekom	130.000 (*)	7 October - 31 October 2022	Pay TL and receive USD at January 2023	121.374
				138.145

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 December 2021 (TL)
Innova	1.655	23 February 2022	Pay TL and receive USD between February - June 2023	(2.466)
Türk Telekom	334.593	17 October - 29 December 2022	Pay TL and receive USD between January - March 2023	(128.890)
				(131.356)

(*) Nominal amount of indicated operations are Euro.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cross Currency swaps instruments which are not designated as hedge (continued)

USD/EUR Foreign Currency Swap Instruments

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 December 2021 (TL)
Türk Telekom	245.000	15 November - 29 December 2021	Pay TL and receive USD at January 2022	373.171
Türk Telekom	69.000 (*)	29 November - 29 December 2021	Pay TL and receive EUR at January 2022	99.325
				472.496

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 December 2021 (TL)
Türk Telekom	20.000	3 December 2021	Pay TL and receive USD at February 2022	(14.973)
Türk Telekom	22.000 (*)	31 December 2021	Pay TL and receive EUR at January 2022	(5.332)
				(20.305)

Hedge of net investment in a foreign operation

The Company utilized a loan amounting to EUR 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.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

16. GOODWILL

	31 December 2022	31 December 2021
Goodwill of TT Mobil	29.694	29.694
Goodwill of Innova	7.308	7.308
Goodwill of Argela	7.942	7.942
	44.944	44.944

The Group performs impairment analysis for goodwill and other non-current asset groups annually as at 31 December. The Group has performed impairment analysis for all of the identified cash generating units.

TT Mobil cash generating unit impairment test

TT Mobil have been considered as a single cash generating unit and has been tested for impairment together for goodwill and all other assets. Recoverable amount is calculated through based on 5 years business plan which is approved by the management.

The discount ratio used for the cash flows is 18% (31 December 2021: 16,9%). Cash flow projections after 2027 are estimated by using 7,9% growth rate, considering the inflation rate used in the business plan and expected growth rate of TT Mobil. Company value of TT Mobil has been tested at a sensitivity of WACC terminal growth rate by +1%/-1% (31 December 2021: 1%/-1%). As a result of the impairment test, it has been noted that there is no impairment is identified on goodwill arising on the TT Mobil acquisition.

Innova and Argela cash generating unit impairment test

Innova and Argela, are both considered as single cash generating unit and are tested for impairment of for goodwill and all of their other assets. Recoverable amount was determined through the usage value which is calculated based on the 5 years business plan approved by the management. The estimated value of the projected cash flows consists of the discounted cash flows until 2027. Cash flow projections beyond 2027 are estimated by using 7,9% growth rate, for both Innova and Argela, respectively, considering the inflation rate used in the business plan and expected growth rate of the country. The discount ratio used for the cash flows is 24,7% for Innova (31 December 2021: 20,4%) and 26,0% for Argela (31 December 2021: 22,0%). Valuation has been tested at a sensitivity of +1%/-1%. For the WACC calculation, technology companies have been taken as a benchmark for the calculation of the beta coefficient. As a result of the impairment test, no impairment is identified for the cash generating units and the goodwill arising from the acquisition of Argela and Innova.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

17. ASSETS HELD FOR SALE

As of 31 December 2022, based on the decision of Board of Directors to sell a real estate, this asset was classified as held for sale.

Asset held for sale for the years ended 31 December 2022 and 31 December 2021 is given net book value TL 37.361 and TL 56.418, respectively.

18. INVESTMENT PROPERTY

The movement of investment property and the related accumulated depreciation for the years ended 31 December 2022 and 31 December 2021 is given below:

	1 January - 31 December 2022	1 January - 31 December 2021
Cost		
Opening balance	41.545	40.047
Transfer	–	1.498
As at 31 December	41.545	41.545
Accumulated depreciation		
Opening	(26.062)	(22.435)
Transfer	–	(1.436)
Depreciation charge for the year	(1.692)	(2.191)
As at 31 December	(27.754)	(26.062)
Net book value as at 31 December	13.791	15.483

Investment property consists of number of buildings and lands mainly occupied by various corporations.

The Group assesses whether there is any impairment indicator in investment properties. If such indicator exists the Group compares fair values and carrying values of the investment properties on an individual asset basis and records identified impairment of the investment properties.

The fair value of the Group's investment properties has been determined by a valuation company independent of the Group. As of 31 December 2022, the fair value of investment properties valued by real estate appraisal companies licensed by CMB is determined as TL 313.189 (Note 19).

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022**

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

19. PROPERTY, PLANT AND EQUIPMENT

The movement of PPE and the related accumulated depreciation for the years ended 31 December 2022 and 31 December 2021 is given below:

	Land	Buildings	Network and other equipment	Vehicles	Furniture and fixtures	Other fixed assets	Construction in progress	Total
Cost								
Opening balance, 1 January 2021	6.397.372	2.320.416	46.092.998	145.084	1.150.292	279.743	721.305	57.107.210
Transfer	–	14.784	1.575.120	–	152.939	2.434	(1.743.288)	1.989
Additions	36.609	229.837	4.016.564	24.298	315.449	2.730	2.780.574	7.406.061
Revaluation	6.450.252	–	–	–	–	–	–	6.450.252
Disposal	(4.499)	(253)	(650.417)	(109)	(22.957)	(475)	(4.562)	(683.272)
Foreign currency translation differences	6.336	19.305	1.422.033	557	16.857	5.600	28.524	1.499.212
Closing balance 31 December 2021	12.886.070	2.584.089	52.456.298	169.830	1.612.580	290.032	1.782.553	71.781.452
Accumulated depreciation								
Opening balance, 1 January 2021	(896)	1.727.541	35.230.037	112.408	805.759	258.615	–	38.133.464
Transfer	–	978	153	–	844	21	(7)	1.989
Depreciation charge for the year	–	136.088	2.946.487	11.742	132.665	5.942	–	3.232.924
Disposal	–	(48)	(588.202)	(48)	(10.959)	(361)	–	(599.618)
Impairment	(3.180)	(2.294)	34.834	–	1.648	2	–	31.010
Foreign currency translation differences	1.764	10.513	1.003.375	59	10.401	5.552	17	1.031.681
Closing balance 31 December 2021	(2.312)	1.872.778	38.626.684	124.161	940.358	269.771	10	41.831.450
Net book value, 31 December 2021	12.888.382	711.311	13.829.614	45.669	672.222	20.261	1.782.543	29.950.002

As of 31 December 2022, the Group does not have any land or buildings purchased through financial leasing. (31 December 2021: land and buildings amounting to TL 7.925).

The Group does not have any capitalized borrowing cost on property, plant and equipment (31 December 2021: nil).

There is no restriction or pledge on the tangible as at 31 December 2022.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022**

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

19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

For the year ended 31 December 2022, impairment on property, plant and equipment amounting to TL 35.113 is recognized in cost of sales (31 December 2021: TL 2.127), TL (4.199) is recognized in general administrative expenses (31 December 2021: TL 1.358) and TL 96 recognized in marketing, sales and distribution expenses (31 December 2021: nil).

As at 31 December 2022, net increase in carrying amount of lands amounting TL 6.450.252 which is valued by real estate valuation companies licensed by CMB is recognized in other comprehensive income. Market approach method is used in land valuations. Valuation companies that performed the valuations are Akademi Gayrimenkul Değerleme ve Danışmanlık A.Ş., Atak Gayrimenkul Değerleme A.Ş., Bilgi Gayrimenkul Değerleme A.Ş., DE-GA Gayrimenkul Değerleme ve Danışmanlık A.Ş., Değer Gayrimenkul Değerleme ve Danışmanlık A.Ş., Düzey Gayrimenkul Değerleme ve Danışmanlık A.Ş., Ekip Taşınmaz Değerleme A.Ş., Eksen Gayrimenkul Değerleme ve Danışmanlık A.Ş., Emsal Gayrimenkul Değerleme ve Danışmanlık A.Ş., Kuzey Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş., LAL Gayrimenkul Değerleme ve Müşavirlik A.Ş., Metrik Gayrimenkul Değerleme Danışmanlık A.Ş., Net Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş., Prime Gayrimenkul Değerleme ve Danışmanlık A.Ş., Vakıf Gayrimenkul Değerleme A.Ş.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land	Buildings	Network and other equipment	Vehicles	Furniture and fixtures	Other fixed assets	Construction in progress	Total
Cost								
Opening balance, 1 January 2021	5.894.276	2.180.193	41.659.258	137.389	946.250	268.829	137.572	51.223.767
Transfer	(13.947)	38.270	670.362	1.267	65.364	1.182	(773.005)	(10.507)
Additions	74	78.447	2.656.051	10.494	150.590	2.996	1.328.097	4.226.749
Revaluation	518.828	–	–	–	–	–	–	518.828
Disposal	(9.946)	(400)	(645.482)	(5.181)	(31.149)	(1.730)	(875)	(694.763)
Foreign currency translation differences	8.087	23.906	1.752.809	1.115	19.237	8.466	29.516	1.843.136
Closing balance 31 December 2021	6.397.372	2.320.416	46.092.998	145.084	1.150.292	279.743	721.305	57.107.210
Accumulated depreciation								
Opening balance, 1 January 2021	–	1.605.881	32.457.836	104.026	749.260	241.853	–	35.158.856
Transfer	–	(2.322)	2.073	1.032	659	–	–	1.442
Depreciation charge for the year	–	108.181	2.131.318	9.659	73.792	12.541	–	2.335.491
Disposal	–	(149)	(587.049)	(3.029)	(30.018)	(1.084)	–	(621.329)
Impairment	(896)	2.161	1.904	–	316	–	–	3.485
Foreign currency translation differences	–	13.789	1.223.955	720	11.750	5.305	–	1.255.519
Closing balance 31 December 2021	(896)	1.727.541	35.230.037	112.408	805.759	258.615	–	38.133.464
Net book value, 31 December 2021	6.398.268	592.875	10.862.961	32.676	344.533	21.128	721.305	18.973.746

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022**

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

20. INTANGIBLE ASSETS

	Licence	Customer relationship	Research and Development	Other intangible assets	Subscriber acquisition/retention cost	Concession rights	Concession assets	Total
Cost								
Opening balance, 1 January 2022	4.591.544	1.564.675	636.670	12.146.917	4.661.227	8.623.040	1.315.334	33.539.407
Transfers	5.473	58	5.527	115	–	–	–	11.173
Disposals	–	–	–	(138.098)	–	(27.027)	–	(165.125)
Additions (*)	–	–	154.544	2.058.131	1.106.784	3.340.395	280.698	6.940.552
Foreign currency translation differences	16.390	219.097	4.507	757.289	–	–	–	997.283
Closing balance, 31 December 2022	4.613.407	1.783.830	801.248	14.824.354	5.768.011	11.936.408	1.596.032	41.323.290
Accumulated amortization								
Opening balance, 1 January 2022	2.486.664	1.401.378	413.428	8.653.100	3.101.030	3.196.739	–	19.252.339
Transfers	–	–	3.700	7.473	–	–	–	11.173
Disposals	–	–	(972)	(90.254)	–	(26.878)	–	(118.104)
Amortization charge for the year	312.167	50.995	52.098	1.355.805	696.831	1.390.202	–	3.858.098
Impairment	–	(23.460)	–	8	–	9.173	–	(14.279)
Foreign currency translation differences	6.594	170.654	6.459	421.460	–	–	–	605.167
Closing balance, 31 December 2022	2.805.425	1.599.567	474.713	10.347.592	3.797.861	4.569.236	–	23.594.394
Net book value, 31 December 2022	1.807.982	184.263	326.535	4.476.762	1.970.150	7.367.172	1.596.032	17.728.896

(*) Additions amounting to TL 2.860.314 (31 December 2021: TL 2.571.246) comprise intangible assets under scope of TFRS Interpretation 12.

The Group have no capitalized borrowing cost on intangible assets (31 December 2021: nil).

For the year ended 31 December 2022, impairment on intangible assets amounting to TL 11.854 is recognized in cost of sales (31 December 2021: 28.491), TL 7.027 in general administrative expenses (31 December 2021: TL 906) and TL (4.602) in marketing, selling and distribution expenses (31 December 2021: TL nil).

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

20. INTANGIBLE ASSETS (CONTINUED)

	Licence	Customer relationship	Research and Development	Other intangible assets	Subscriber acquisition/retention cost	Concession rights	Concession assets	Total
Cost								
Opening balance, 1 January 2021	4.573.318	1.289.966	529.767	9.943.976	3.887.523	6.563.899	887.366	27.675.815
Transfers	(1.270)	–	25.199	(37.952)	–	–	–	(14.023)
Disposals	–	–	–	(151.952)	–	(84.137)	–	(236.089)
Additions (*)	–	–	76.670	1.450.029	773.704	2.143.278	427.968	4.871.649
Foreign currency translation differences	19.496	274.709	5.034	942.816	–	–	–	1.242.055
Closing balance, 31 December 2021	4.591.544	1.564.675	636.670	12.146.917	4.661.227	8.623.040	1.315.334	33.539.407
Accumulated amortization								
Opening balance, 1 January 2021	2.169.264	1.166.055	364.168	7.117.858	2.422.130	2.343.829	–	15.583.304
Transfers	(26)	–	–	(6.827)	–	–	–	(6.853)
Disposals	–	–	–	(53.795)	–	(83.428)	–	(137.223)
Amortization charge for the year	310.135	30.646	44.226	1.071.357	678.900	936.338	–	3.071.602
Impairment	–	–	–	29.397	–	–	–	29.397
Foreign currency translation differences	7.291	204.677	5.034	495.110	–	–	–	712.112
Closing balance, 31 December 2021	2.486.664	1.401.378	413.428	8.653.100	3.101.030	3.196.739	–	19.252.339
Net book value, 31 December 2021	2.104.880	163.297	223.242	3.493.817	1.560.197	5.426.301	1.315.334	14.287.068

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

20. INTANGIBLE ASSETS (CONTINUED)

For the year ended 31 December 2022, depreciation and amortization expense is recognized cost of sales, sales and distribution expenses, general administration expenses and research and development expenses respectively amounting to TL 6.407.509 , (31 December 2021: TL 4.740.558), TL 878.693 (31 December 2021: TL 765.328) and TL 770.520 (31 December 2021: TL 638.479), TL 27.823 (31 December 2021: TL 24.960), respectively.

Remaining amortization periods after acquisition of significant intangible assets are as follows:

TT Mobil license	6,4 years
TTINT customer relationships	2,8 years
TTINT other	7,8 years

There is no restriction or pledge on the intangible as at 31 December 2022 (31 December 2021: Nil)

3G license tender.

The tender for authorization of IMT-2000 / UMTS services has been held on 28 November 2008 with the participation of all three GSM operators operating in Turkey.

The license fee (including 18% VAT) amounting to TL 539.332 is paid by TT Mobil in April 2009 and ultimately the Concession Agreement is signed on 30 April 2009.

The net book value of the 3G license as at 31 December 2022 is TL 154.177 (31 December 2021: TL 177.900).

GSM 900 additional frequency band tender

The tender for the reallocation of unused 900 MHz Frequency Bands had been held on 20 June 2008 and TT Mobil had obtained C band with the minimum fee of TL 128 year /channel (excluding VAT).

TT Mobil had been granted 5,5 additional GSM 900 MHz frequency channels as a result of the tender and ultimately total number of GSM 900 MHz frequency channels has reached to 12 together with previously-held 6,5 channels.

TT Mobil made TL 14.122 (including VAT) payment as the tender fee for the remaining GSM license duration and amended license agreement has been signed between TT Mobil and ICTA on 25 February 2009.

The net book value of the GSM 900 license as at 31 December 2021 is TL 2.182 (31 December 2021: TL 2.889)

4.5G license tender

Tender of IMT Services and Infrastructures Authorization, also known as 4.5G tender in public has been held in Ankara on August 26, 2015 by ICTA. In the IMT Service and Infrastructure Authorization Tender done by ICTA, TT Mobil has won the following packages: 2x10 MHz bandwidth in 800 MHz frequency for EUR 380.000, 2x7.6 MHz bandwidth in 900 MHz frequency for EUR 216.819, 2x20 MHz bandwidth in 1800 MHz frequency for EUR 310.000, 2x10 MHz bandwidth in 2600 MHz frequency for EUR 25.859, 1x15 MHz bandwidth in 2600 MHz frequency for EUR 22.000. Total spectrum fee is EUR 954.678. IMT Authorization period is valid until 30 April 2029 and will be able to start rendering services starting from 1 April 2016. 900 MHz and services in 1.800 MHz frequency are commenced to be rendered since 1 December 2015. The Company will pay the tender fee (including interest) in four equal instalments amounting to EUR 973.396 (excluded VAT).

As of 31 December 2021 net book value of 4.5G license amounts to TL 1.463.449 (31 December 2021: TL 1.694.520) in the consolidated financial statements.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

21. PROVISIONS

Current provisions

The movement of current provisions is as follows:

	31 December 2022	31 December 2021
Litigation, ICTA penalty and customer return provisions	133.093	154.411
Provision for expected credit losses on loan commitments (*)	67.338	56.084
	200.431	210.495

(*) Consists of expected credit losses are recognized for the guarantees given for borrowings of distributors which are utilized in financing of equipment purchases that will be sold to Group’s customers as part of commitment sales.

The movement of Litigation, ICTA penalty and customer return provisions is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
As at 1 January	154.411	120.702
Provisions for the period	79.476	197.797
Settled provisions	(100.161)	(158.434)
Reversals	(608)	(5.783)
Foreign currency translation difference	(25)	129
As at 31 December	133.093	154.411

Current provisions for employee benefits

	31 December 2022	31 December 2021
Short term provisions for employee benefits		
Personnel bonus provision	569.405	319.140
	569.405	319.140

The movement of provisions is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
As at 1 January	319.140	276.460
Provision for the period	631.275	403.892
Provisions paid	(355.430)	(335.487)
Reversals	(32.758)	(36.311)
Foreign currency translation difference	7.178	10.586
As at 31 December	569.405	319.140

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

21. PROVISIONS (CONTINUED)

Non-current provisions for employee benefits

	31 December 2022	31 December 2021
Long term provisions for employee benefits		
Defined benefit obligation (*)	2.112.451	1.069.183
Unused vacation provisions	332.647	211.831
	2.445.098	1.281.014

Defined benefit obligation

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

The retirement pay liability as at 31 December 2022 is subject to a ceiling of full TL 15.371 (31 December 2021: full TL 8.284,51) per monthly salary for each service year.

The Presidency made a statement on 28 December 2022 about the details of the regulation to be created to change the retirement age condition of employees who are known as those who are at the age of retirement (EYT) and who had insurance before 8 September 1999. According to this statement, if the regulation becomes law, those who completed the number of premium days and insurance period among the employees who had insurance before 8 September 1999 will be able to retire without any age limit.

The EYT regulation will change the severance pay conditions defined as the defined benefit plan in TAS 19 for employees with insurance entry before 1999. Accordingly, the fact that the said employees meet the severance pay conditions earlier may lead to an increase in their severance pay obligations.

The Group is evaluating the effects of the EYT regulation on its financial position and performance. In addition to retirement benefits, the Group is liable for certain other non-current employment benefits such as business, service, representation indemnity and jubilee.

i) The movement of defined benefit obligation is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Defined benefit obligation at January 1	1.069.183	1.062.589
Service cost	148.692	84.849
Interest cost	212.023	88.915
Actuarial loss (*)	931.742	160.582
Benefits paid	(245.002)	(334.085)
Transfer - employee benefit obligations	(5.506)	(585)
Foreign currency translation difference	1.319	6.918
As at 31 December	2.112.451	1.069.183

(*) As at 31 December 2022, actuarial loss amounting to TL 931.742 (31 December 2020: TL 160.582) is recognized in other comprehensive income.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

21. PROVISIONS (CONTINUED)

Non-current provisions for employee benefits (continued)

Defined benefit obligation (continued)

ii) Total expense recognized in the consolidated income statement:

	1 January - 31 December 2022	1 January - 31 December 2021
Interest cost	212.023	88.915
Service cost	148.692	84.849
Total net cost recognized in the consolidated statement of income	360.715	173.764

iii) Principal actuarial assumptions used:

	31 December 2022	31 December 2021
Interest rate	%22	%19,0
Expected rate of ceiling increases	%18	%14,50

For the years ahead, voluntary employee withdrawal of the Group is 1,78% (31 December 2021: 2,17%).

As of 31 December 2022, sensitivity analysis is performed for the significant assumptions of defined benefit obligation:

	Discount Rate		Salary Increase Rate		Employee Withdrawal Rate	
	0,25% decrease (21,75%)	0,25% increase (22,25%)	0,25% decrease (17,75%)	0,25% increase (18,25%)	0,25% decrease	0,25% increase
Sensitivity Level						
No effect to defined benefit obligation	50.458	(47.471)	(49.132)	51.967	(9.144)	12.541

Non-current employee benefits excluding defined benefit obligation

The movement of unused vacation provisions is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
As at 1 January	211.831	152.200
Provision for the period, net	144.837	85.613
Provisions paid	(27.790)	(31.232)
Foreign currency translation difference	3.769	5.250
As at 31 December	332.647	211.831

Other non-current provisions

	31 December 2022	31 December 2021
Provision for the investments under the scope of TFRS Interpretation 12	10.627	10.627
	10.627	10.627

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

22. PAID IN CAPITAL, RESERVES AND RETAINED EARNINGS

As of 31 December 2022 and 2021, the shareholders of the Company with their shareholding percentage are as follows:

	31 December 2022		31 December 2021	
	%	TL	%	TL
The Treasury	25	875.000	25	875.000
Turkish Wealth Fund ("TWF") (*)	60	2.100.000	5	1.925.000
Levent Telekomünikasyon A.Ş.	0	–	55	525.000
Public Share	15	525.000	15	175.000
		3.500.000		3.500.000
Inflation adjustment to share capital		(239.752)		(239.752)
		3.260.248		3.260.248

(*) On 10 March 2022, Share Transfer Agreement was signed between the parties regarding the sale of 55% shares of LYY Telekomünikasyon A.Ş. (LYY) to the Turkey Wealth Fund (TVF). The transfer of the said shares was completed on 31 March 2022, after the necessary approvals regarding the completion of the transaction and the fulfilment of the closing conditions.

The Company's share capital is fully paid. Capital of the Company is TL 3.500.000.000, divided into 192.500.000.000 Group "A", 104.999.999.999 Group "B", 1 Group "C", and 52.500.000.000 Group "D" registered shares each with a nominal value of 1 (One) Kuruş. Group D shares are publicly traded. Turkish Wealth Fund is the holder of all Group A shares; SWF is the holder of Group B shares representing 5 percent of the share capital of the Company and Group D Shares representing 1.68 percent of the share capital of the Company; the Treasury is the holder of Group B shares representing 25 percent of the share capital of the Company and C Group share (Golden Share).

The Treasury is the holder of the Preferred Stock (Golden Share) as per the law. This share is non-transferable. It provides certain rights to Treasury in order to protect national interests regarding economy and security: (a) Any proposed amendments to the Company's articles of association, (b) the transfer of any registered shares in the Company which would result in a change in the management control of the Company and (c) the registration of any transfer of registered shares in the Company's shareholders' ledger cannot be realized without affirmative vote of the Golden Share at either a meeting of the Board of Directors or the general assembly. Otherwise, such transactions shall be deemed invalid. The holder of the Golden Share, the Treasury, has one member, representing the Golden Share, among the Board of Directors.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

22. PAID IN CAPITAL, RESERVES AND RETAINED EARNINGS (CONTINUED)

Number of members and independent Board members of the Board of Directors to be nominated by the Group A and Group B Shareholders have been revised by the amendment to the article 8 of the Articles of Association at on the Extraordinary General Meeting dated 25 January 2019 Accordingly; The Board of directors shall be composed of nine (9) members nominated by the Group A Shareholder, Treasury and Turkish Wealth Fund.

(a) Turkish Wealth Fund is the Group A Shareholder shall be entitled to nominate five (5) persons for election as Directors;

(b) provided that the Treasury and Turkish Wealth Fund, as Group B Shareholders shall hold;

– 30% or more of the Shares, the Treasury shall be entitled to nominate three (3) persons for election as Independent Board Members who carry the independence criteria as defined in the Capital Markets legislation; or

– 15% or more of the Shares (but less than 30% of the Shares) the Treasury shall be entitled to nominate two (2) persons for election as Independent Board Members who the carry the independence criteria as defined in the Capital Markets legislation;

– During the calculation of 15 % and 30 % of the Shares mentioned in above paragraphs, the amount of Group B Shares and Group D Shares held by the Treasury and Turkish Wealth Fund shall be considered together.

(c) As long as the Treasury and Turkish Wealth Fund holds 15% or more of the Shares (but less than 30% of the Shares), the Group A shareholder shall be entitled to nominate one (1) person, who carry the independence criteria as defined in the Capital Markets legislation, for election as Independent Board Members and five (5) persons for election as Director.

(d) while the Treasury holds the C Group Privileged Share, the Treasury shall be entitled to nominate, a further one (1) person, for election as Director for the C Group Privileged Share.

The chairman of the board of directors shall be nominated by the directors nominated by the group A shares from among the directors and be elected and removed by the simple majority votes of those present at the meeting of the board of directors.

The Vice Chairman shall be nominated by the directors nominated by the Group B Shares from among the Directors and be elected and removed by the simple majority votes of those present at the meeting of the Board of Directors.

Board resolutions shall be passed by a simple majority of the votes of the directors present at such meeting unless the resolution requires a higher majority vote.

The board of directors shall propose the distribution of the maximum of the Company's profits lawfully available for distribution in each financial year subject to the board of directors making reasonable provisions and transfers to reserves.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

22. PAID IN CAPITAL, RESERVES AND RETAINED EARNINGS (CONTINUED)

Based on the articles of association of the Company, the Board of Directors shall by way of a simple majority of those present at the relevant meeting of the Board propose the distribution of the maximum of the Company's profits lawfully available for distribution in each financial year subject to the Board making reasonable provisions and transfers to reserves and complying with the conditions set out below.

Provided that it is not against the legislation regarding capital markets, the net profit may not be distributed, if:

- a) the distribution would result in a breach of any covenant or undertaking given by any Group Company (Group Companies are defined in the articles of association) to any lender or would, in the opinion of the simple majority of those present at the relevant meeting of the board of directors, be likely to cause such breach within the following 12 months; or
- b) the board of directors resolves by way of a simple majority of those present at the relevant meeting of the board that the distribution is materially prejudicial to the interests of any Group Company (as defined in the articles of association of the Company) having regard to: (i) implementation of the investment program approved by the board of directors in the business plan or the budget; or (ii) the trading prospects of the Group Companies (as defined in the articles of association of the Company) and the need to maintain the sound financial standing of the group companies.

In accordance with the Turkish Commercial Code, companies are required to assign legal reserves before profit appropriations. The legal reserve consists of first and second legal reserves, allocated in accordance with the Turkish Commercial Code. The first legal reserve is allocated out of last period's statutory profits at the rate of 5% per annum until the total reserve reaches 1/5 of the paid-in share capital (not indexed to the inflation). The second legal reserve is allocated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions

Dividends

The Board of the Directors decided to distribute a dividend of TL gross 1.872.535 and decision was approved on March 19, 2021 at the Ordinary General Assembly Meeting for the 2020 operating year. The cash dividend (0,53501 full Kuruş gross for each share) has been paid in full as of the report date.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

22. PAID IN CAPITAL, RESERVES AND RETAINED EARNINGS (CONTINUED)

Other reserves

The amounts transferred directly to equity, instead of statement of profit or loss as of the reporting date are as follows:

	31 December 2022	31 December 2021
Gains on revaluation of property, plant and equipment	11.036.817	5.231.590
Currency translation differences	2.167.156	1.555.755
Gains due to change in fair value of financial liability attributable to change in credit risk of liability	(27.934)	76.534
Transfer of share based payments reserve to accumulated comprehensive income	(11.840)	(11.840)
Cash flow hedge reserve	1.356.011	876.407
Reserve for hedge of net investment in a foreign operation	(1.589.185)	(1.157.022)
Losses on change in value of time value of options	(3.145.717)	(4.074.549)
Actuarial loss arising from employee benefits	(1.659.893)	(911.454)
Other reserves from acquisition of subsidiary	(1.320.942)	(1.320.942)
	6.804.473	264.479

Reserves on hedges of net investment in foreign operations

The Company recognizes the differences arising on the translation of monetary items that are associated with the hedge of net investment in a foreign operation in other comprehensive income (Note 15).

Cash flow hedge reserve

The Group entered into interest rate swaps in order to hedge its position against changes in interest rates. Accordingly, effective fair value changes of these instruments are recognized directly in equity at cash flow hedge reserve (Note 15).

Earnings/losses per share

The calculation of the basic earnings/losses per share attributable to the ordinary equity holders of the Company is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Weighted average number of ordinary shares outstanding during the year	350.000.000.000	350.000.000.000
Net profit/(loss) for the year attributable to equity holder of the Company	4.134.846	5.761.454
Basic earnings/(losses) per share (in full Kuruş)	1,1814	1,6461

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

23. COMMITMENTS AND CONTINGENCIES

Guarantees received and given by the Group are summarized below:

		31 December 2022		31 December 2021	
		Original currency	TL	Original currency	TL
Guarantees received	USD	102.571	1.917.911	125.732	1.671.956
	TL	1.633.056	1.633.056	1.471.687	1.471.687
	EUR	30.151	601.066	26.645	401.577
	GBP	3	67	–	30
		4.152.100		3.545.250	
Guarantees given (*)	USD	183.789	3.436.550	168.053	2.239.982
	TL	1.530.296	1.530.296	1.019.553	1.019.553
	EUR	75.331	1.501.707	74.604	1.125.534
		6.468.553		4.385.069	

(*) Guarantees given amounting to USD 151.500 (31 December 2021: USD 151.500) is related to the guarantee provided to the ICTA by TT Mobil with respect to the TT Mobil Concession Agreement, guarantees given amounting to EUR 12.840 (31 December 2021: EUR 12.840) is related with the guarantee provided for 3G license and guarantees given amounting to EUR 57.281 (31 December 2021: EUR 57.281) is related with the guarantee provided for 4.5G license.

The Company’s guarantee, pledge and mortgage (GPM) position as at 31 December 2022 and 31 December 2021 is as follows:

	31 December 2022	31 December 2021
A. GPMs given on behalf of the Company’s legal personality	6.468.553	4.385.069
B. GPMs given in favour of subsidiaries included in full consolidation	1.758.758	1.707.568
C. GPMS given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	1.074.483	938.253
Total	9.301.794	7.030.890

Based on law 128/1 of Turkish Code of Obligations, the Group has given guarantee to distributors amounting to TL 1.074.483 for the financial obligation that would arise during the purchase of devices that will be sold as commitment sales by the Group (31 December 2021: TL 983.253). The guarantees has given to the banks TL 465.303, TL 8.274 Vakıf Faktoring A.Ş. and Türkiye Vakıflar Bankası T.A.O respectively.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

23. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Other commitments

The Group has purchase commitments for sponsorships, advertising and insurance services at the equivalent to TL 598.470 (31 December 2021: TL 517.939) as at 31 December 2022. Payments for these commitments are going to be made in a 2-year period.

The Group has purchase commitments for fixed assets amounting to USD 77.513, EUR 38.018 and TL 335.226 equivalent to TL 2.542.470 (31 December 2021: TL 1.536.265) as at 31 December 2022.

Türk Telekom concession agreement

The Concession Agreement was entered into between the Company and ICTA on 14 November 2005 following the privatization of the Company and the resultant reduction in the public shareholding to less than 50%. The Concession Agreement covers:

-the performance of the telecommunications services which are within the scope of the Agreement;
-the establishment and operation of necessary telecommunications facilities and the submission of these facilities to the use of other operators or persons and institutions making a demand as per the law;

-the marketing and provision of telecommunications services.

The Concession Agreement places an obligation on the Company, in the event of termination or non-renewal of the Concession Agreement, to transfer all equipment affecting the operation of the system together with all its functions and in good condition, and all immovable properties where such equipment is installed and which the Company uses, to the ICTA, or to any other institution to be designated by ICTA, at no cost.

In case ICTA determines that the Company has not fulfilled its obligations stemming from the Concession Agreement and has not corrected the situation within a period granted to it, or that there is a court decision on bankruptcy or composition against the Company, the Company is granted a grace period of not less than 90 days commencing from written notification by ICTA, to fulfil its obligations. Within this grace period, the Company submits a remedy program for its abovementioned obligations to ICTA. In case ICTA accepts the remedy program, the matters in dispute shall be re-examined at the end of the program provided. If the program is not accepted, then ICTA may terminate the Concession Agreement upon expiry of the period granted to the Company.

The Concession Agreement also places a number of obligations with respect to delivering services on the Company in relation to the provision of telecommunications services.

The Concession Agreement requires that the Company shall meet all payments accrued as a result of the Concession Agreement and the establishment and operation of the telecommunication network in accordance with the applicable legislation or agreements concluded by the Government of the Republic of Turkey. These payments specifically includes the permit and utilization fees for the use of frequencies. In addition, the Company is required to pay the ICTA 0,35% of its net sales revenue, as contribution share towards ICTA’s expenses.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

23. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Türk Telekom concession agreement (continued)

Under the Concession Agreement, requests for access in relation to the infrastructure should be met to the extent technically possible and without discrimination. The Company is further required to publish reference access and interconnection offers approved by the ICTA.

The Concession Agreement also contains an obligation on the Company to provide universal services. According to article 6 entitled “Revenues for Universal Service” of the Universal Service Law No:5369, the Company declares the amount of 1% of its net sales revenue to the Ministry of Transport, Maritime Affairs and Communications until the end of April of the following year and the company inform up to the following month. This amount shall be transferred within the same period to the account of the central accounting department of the Ministry and shall be registered as revenue in the budget under the name of “Revenues for Universal Service”.

The tariffs to be charged by the Company are subject to the approval of the ICTA unless expressly provided to the contrary in any regulation issued by the ICTA.

The content of customer bills is governed by relevant laws and regulations. It is possible to issue a separate invoice for each service, as well as to issue one single invoice for more than one service rendered to a subscriber. The cost of each service shall be demonstrated separately, in the event of preparation of one single invoice for more than one service. A detailed bill is sent to the subscribers upon request, to the extent technically possible and subject to the payment of a fee.

Other provisions of the Concession Agreement provide for the confidentiality of communications and the establishment of effective methods to answer customer complaints.

TT Mobil GSM and IMT-2000/UMTS concession agreement and IMT Authorization Certificate

Regarding to Gsm and IMT-2000/UMTS concession agreement and IMT Authorization Certificate, the Company shall provide fixed guarantee by cash and/or letter of bank guarantee amounting to 6% of the Company’s Licence fee and right of use fee. In case it is identified that TT Mobil does not fulfil its contractual obligations, ICTA will have the right to record as revenue these guarantees.

Concession Agreement for Licensing of Establishment and Operation of GSM-1800 Digital Cellular Mobile Telephone System

A concession agreement was entered into between TT Mobil and the ICTA (“the TT Mobil Concession Agreement”) on 12 January 2005 which replaced and superseded the previous GSM 1800 license agreements in place in relation to Aycell and Aria. After GSM 900 Frequency Band bidding done by ICTA on 20 June, 2008, agreement was rearranged, the contract (“the TT Mobil Concession Agreement”) was rearranged after the Authorization Tender for IMT Services and Infrastructures made by ICTA on 26 August 2015.

The TT Mobil concession agreement covers the establishment, development and operation of a GSM 1800 network and delivery of the system to the Authority or the establishment to be designated by the Authority at the end of the contracted term as being in an operating condition.

Pursuant to the TT Mobil Concession Agreement, TT Mobil was granted to use 75 channels in the 1800 MHz band and 12 channels in the 900 MHz band. The term of the TT Mobil Concession Agreement is 25 years from 11 January 2001.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

23. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Concession Agreement for Licensing of Establishment and Operation of GSM-1800 Digital Cellular Mobile Telephone System (continued)

TT Mobil may apply to the ICTA for renewal between dates 24 and 6 months before the end of TT Mobil Concession Agreement. ICTA may renew the license of TT Mobil by evaluating the renewal request according to legislation on that date.

In the event of expiry or non-renewal, TT Mobil is under an obligation to transfer the network management center, being the central operation units of the GSM 1800 system, gateway switchboards and central subscription works systems (including all kinds of technical hardware), together with all equipment affecting the operation of the system and the immovable properties used by TT Mobil to the ICTA or to the establishment to be designated by ICTA at no cost.

TT Mobil is also committed to renew the network in line with technological improvements and international agreements and maintain the adequacy of the network by means of technology until the end of the agreement.

License fees were paid prior to the issuance of the concession agreement by TT Mobil.

TT Mobil provided a performance bond in the amount of USD 151.500. TT Mobil, additional to that bond, provided performance bond amounting TL 760 corresponding to 6% of bidding amount after GSM 900 Additional Frequency Band bidding by ICTA on 20 June 2008. Should the operator is understood to not perform its contractual obligations, the Authority shall record and confiscate the final guarantee as income.

The TT Mobil Concession Agreement provides that the license may be transferred with the approval of the ICTA and within the terms of the Authorization Ordinance. However, no transfer may be made to an entity which already has a GSM 900 or GSM 1800 license in Turkey, or to related parties of such an entity, to the companies or subsidiaries which is owned or managed somehow by shareholders of entity or to the management of such entity and their first and second blood relatives and relative affinities. In cases such issues are determinate; GSM 1800 license given to them by ICTA is cancelled.

Regarding transfer of shares regulation clauses at the date of the transaction will be applied. The approval of the Competition Authority is also required for any change of control, being a transfer of the shares.

Fund payable to the Treasury

TT Mobil will pay an amount equal to 15% of the gross sales on a monthly basis to the Treasury, except for the default interest imposed on their subscribers for their late payments, indirect taxes, financial obligations such as charges and fees, amounts obtained by the operator from other mobile operators regarding the installation and operation of the facilities where the mobile base stations are located, remunerations booked in the legal accounting records, which were corrected within the fiscal year, due to the: mistakes in the form or content of the invoice (such as customer information, type, amount, price and amount of the work), mistakes regarding the periods of the service, duplicated;(double charged) invoices, and the accrual amounts accounted for reporting purposes.

Contribution share to the ICTA

TT Mobil shall pay 0,35% of the annual net sales to the ICTA as contribution share to the ICTA’s expenses, latest on the last working day of April of the following year.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

23. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Concession Agreement for Licensing of Establishment and Operation of GSM-1800 Digital Cellular Mobile Telephone System (continued)

Coverage area

TT Mobil has guaranteed and undertook to cover (up to 2 Watt outdoors) at least 50% of the population of Turkey within three years after 11 January 2001 and at least 90% of the population of Turkey within five years after 11 January 2001. However, the localities where there are less than 10.000 inhabitants shall not be taken into consideration. This coverage area refers to the area to be covered by TT Mobil alone and will not be contributed by national roaming. Upon request of the ICTA, yearly utmost two settling areas shall be covered with priority by TT Mobil. TT Mobil has completed its related liabilities with respect to coverage at 31 December 2004.

Service offerings

TT Mobil agrees and undertakes to provide the services specified within the frame of GSM memorandum of understanding applied by GSM association including, but not limited to the services specified by GSM license agreement (call forwarding, barring of outgoing and incoming calls, technical assistance for subscribers and free call forwarding to police and other public emergency services).

Service quality

TT Mobil will comply with the telephone service quality standards set down in the International Telecommunication Union (“ITU-T”) recommendations in the GSM 1800 international standards. These standards require blocking rate of the licensed indoor network to be 5% and the call failure rate not to be more than 2%.

Tariffs

TT Mobil may freely determine its tariffs provided that these tariffs are not contrary to the regulations of the ICTA.

Emergencies

TT Mobil will take the necessary measures with priority in order to satisfy the requirements and the needs of subscribers and users in emergencies, provided that the public authorities and enterprises will have priority in the case of health and security emergencies or fire and other disasters. TT Mobil has to provide at least two base stations for the use of Ministry of Transport, Maritime Affairs and Communications in emergency.

Investment plans

TT Mobil pursuant to the relevant regulation, until the first day of December every year, TT Mobil will present its investment plan for the following calendar years to the ICTA. These plans will be valid for 3 years and will contain information about the dynamic demand forecasts, and number and locations of the exchange stations, base stations and base control stations to be established, the period of operation, and the investment costs. Within 120 days of receipt of the investment plan, the ICTA will approve the compliance of plans to the article 6th of the agreement. Investment plan will be presented so as to inform the ICTA after the requirements arising from the article 6th of the agreement are met.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

23. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Concession Agreement for Licensing of Establishment and Operation of GSM-1800 Digital Cellular Mobile Telephone System (continued)

National roaming

TT Mobil may enter into contracts with other licensed GSM networks in Turkey for national roaming purposes. Roaming contracts and the financial clause of the contracts has to be presented to ICTA before signature procedures completed.

Suspension of operations

If deemed necessary for public security and national defence in case of war, general mobilization, etc. the Authority may temporarily or permanently suspend all or a part of the operational activities of TT Mobil and may directly operate the network. The period of suspension as above will be added to the term of the license and the income of such a period, if any, will belong to TT Mobil.

Termination of the agreement by the ICTA

The ICTA may cancel the license or terminate the Agreement for the following reasons;

- i) A final judgment of the competent courts for insolvency of TT Mobil or its composition with creditors,
- ii) Determination of the failure of TT Mobil to perform its contractual obligations hereunder and to remedy its default in a reasonable period of time granted,
- iii) Determination that TT Mobil extends its activities beyond the frequencies allocated hereunder or other frequencies that may be allocated by the ICTA to TT Mobil for use in the GSM 1800 System, and failure of TT Mobil to cease such activities in a reasonable period of time granted,
- iv) Failure of TT Mobil to pay the license fees hereunder.

However, that except for point (iv) above, TT Mobil will be given the opportunity to fulfil its obligations within a period not less than 90 days of written notice by the ICTA. During this period of time, TT Mobil will furnish to the ICTA a corrective action program for fulfilment of its obligations. If this program is accepted by the ICTA, the points of disagreement will be revised at the end of the program. If this program is not acceptable, the ICTA may terminate the Agreement at the end of the time period provided to TT Mobil.

Upon termination of the Agreement, TT Mobil shall transfer all of the GSM 1800 system equipment to the ICTA without any remuneration.

Insurance

TT Mobil will maintain adequate all risk insurance for the telecommunication facilities and services established and operated until the end of the license term.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

23. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Concession Agreement of the Establishment and Operation of IMT2000/UMTS Infrastructures and Provision of Services

The Concession Agreement with ICTA has been signed on 30 April 2009 and TT Mobil has been granted with 3G license for an amount of EUR 214.000 excluding VAT. The term of the license is 20 years effective from the signature date of the Agreement. 3G services have been launched on 30 July 2009. The contract (“the TT Mobil Concession Agreement”) was rearranged after the Authorization Tender for IMT Services and Infrastructures made by ICTA on 26 August 2015.

According to this Agreement;

- i. TT Mobil shall provide subscribers’ and users’ 112 calls and other emergency situation calls to public security institutions and other public institutions, and to direct those calls to the centers requested by the said institutions, free of charge bearing all costs.
- ii. TT Mobil shall keep at least 2 units of IMT-2000/UMTS mobile base stations to be used in emergency situations under the request of the Ministry of Transport and Communication.
- iii. Within the first 5 years by the signature of the Agreement, TT Mobil shall obtain the approval of the ICTA for each assignment of TT Mobil shares in ratio exceeding 10% to persons and entities other than the current shareholders and subsidiaries of the current shareholders. Any type of share assignment leading a change in the control of TT Mobil shall be subject to the approval of the ICTA.
- iv. TT Mobil has granted a bank letter of guarantee amounting to EUR 12.840 which is 6% of the license fee, for to act as final guarantee. Should the TT Mobil is understood to not perform its contractual obligations; ICTA shall record and confiscate the final guarantee as income. In such confiscation of final guarantee as income is realized, TT Mobil shall grant new final guarantee within 30 days. Should the new final guarantee not granted within the said period, the Agreement might be terminated.
- v. During the term of the Agreement, TT Mobil shall each year submit its investment plan related to the subsequent calendar year, till 1 December to the ICTA. This plan shall be prepared for three years and shall include such information as the number, location, coverage areas, investment costs with respect to exchange centres, base stations and control stations to be established, as well as the realization ratio of the previous year’s investment plan and reasons of deviation, if any.
- vi. TT Mobil will pay an amount equal to 15% of the gross sales on a monthly basis to the Treasury, except for the default interest imposed on their subscribers for their late payments, indirect taxes, financial obligations such as charges and fees, and the accrual amounts accounted for reporting purposes.
- vii. TT Mobil shall pay 0.35% of the annual net sales to the ICTA as contribution share to the ICTA’s expenses, latest on the last working day of April of the following year.

Coverage Area Obligations:

Following the signature of the Agreement, TT Mobil shall have under coverage the population within the borders of;

- metropolitan municipalities within 3 years,
- all the municipalities of all provinces and districts within 6 years,
- all the residential locations having a population of more than 5.000 within 8 years,

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

23. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Concession Agreement of the Establishment and Operation of IMT2000/UMTS Infrastructures and Provision of Services (continued)

Coverage Area Obligations: (continued)

- residential locations having a population of more than 1.000 within 10 years.

These are the areas which are to be covered by TT Mobil alone and this obligation shall not be fulfilled through roaming.

TT Mobil should maintain service quality in accordance with ICTA regulations, ETSI (European Telecommunications Standards Institute) standards and ITU (International Telecommunication Union) standards, decisions and recommendations given by ITU.

Upon request of the ICTA, yearly utmost two settling areas shall be covered with priority by TT Mobil.

If there is any delay in fulfilment of the coverage area obligations, except the force major conditions, an administrative fine shall be applied within the frame of Relevant Legislation. If there is any delay in fulfilment of the coverage area obligations for a period of more than two years, then the Agreement might be terminated by the ICTA.

The Investments for hardware and software being used in the electronic communications network

Except for the investments made in the lease of place, towers, piles, pipes, containers, channels, energy transfer lines and similar infrastructure plants; each year TT Mobil shall fulfil the following requirements for its investments related to electronic communications network (hardware, software etc.);

a) To procure at least 40% of such investments from vendor companies employing a R&D center established in Turkey and engaged in developing R&D projects in relation with the information and communication technologies provided at least 200 engineers functioning in such company in the first year after the signature of the Agreement, at least 300 engineers in the second year and at least 500 engineers for the third and subsequent years or from vendor companies employing a R&D center with at least 150 engineers functioning in the first year after the signature of the Agreement, at least 250 engineers in the second year and at least 350 engineers for the third and subsequent years however such company to employ also a Technical Assistance Centre with at least 50 engineers in the said first year, at least 100 engineers in the second year and at least 150 engineers in the third and subsequent years.

A vendor company may not establish the R&D center and Technical Assistance Centre together with another vendor company; but may establish with a company, organization or institution resident in Turkey. The vendor company shall have at least 50% share of such centers. Said organization or institution resident in Turkey shall not employ other R&D centers and Technical Assistance Centers that have been established together with other vendor companies functioning in information and communication technologies area.

The university associates may also be employed part time, as engineers to be employed by the vendor company. The number of the university associates may not exceed 5% of the total number of engineers stated above.

TT Mobil is obliged to perform its investments regarding the electronic communications network by auditing and determining whether vendor companies comply with the foregoing terms and conditions.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

23. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Concession Agreement of the Establishment and Operation of IMT2000/UMTS Infrastructures and Provision of Services (continued)

The Investments for hardware and software being used in the electronic communications network (continued)

b) To procure at least 10% of such investments from the vendors in quality of Small and Medium Sized Entities and established in Turkey for the purpose of product and system development.

All the independent software and hardware units to be used in the network of TT Mobil shall have open interface connections with each other.

ICTA may perform audits regarding the execution of this obligation or may commission another organization or institution to perform such auditing when deems necessary. The costs to arise from such audits shall be paid by TT Mobil.

Should TT Mobil is understood to procure goods and services through methods against the foregoing terms and conditions, an administrative monetary penalty shall be applied to TT Mobil up to 1% of its turnover of the previous calendar year.

Should TT Mobil not perform the said obligations, a penalty as 40% of total amount of its investments in the network (hardware, software etc.), except for the investments for lease of place, towers, piles, pipes, containers, channels, energy transfer lines and similar infrastructure plants, shall be applied separately to TT Mobil for each year. This clause is valid for the first three years following the signature date of the Agreement. Annual periods start with the signing of the concession agreement.

Termination of the Agreement by ICTA:

The Authority might terminate the Agreement for the following reasons;

- A bankruptcy or bankrupt’s certificate decision on TT Mobil given by the judicial authorities,
- TT Mobil not performing some of its contractual obligations and not correcting such breach in the given period,
- TT Mobil operating under the frequencies other than the ones allocated to itself by ICTA,
- Termination of TT Mobil Concession Agreement
- TT Mobil not performing national roaming obligation stated in the contract

In such circumstances, ICTA gives TT Mobil the opportunity to fulfil its obligations within 90 days after the written notice. In case TT Mobil cannot fulfil all the obligations within this period, the Agreement will be terminated by ICTA. The license fee or any other fee is not reimbursable in case of a termination of agreement. In the case of cancellation of agreement by ICTA, TT Mobil will alienate all data and documents which constitute system, software affecting the running of system (including tower, beam, blare, container, channel, energy transmission lines, antenna etc), stated and in the usage of TT Mobil to ICTA or to the entity ICTA enounces by making sure that there is no pledge, mortgage, levy and related legal blockages on them and they are free of cost and works free of problems.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

23. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Concession Agreement of the Establishment and Operation of IMT2000/UMTS Infrastructures and Provision of Services (continued)

The Investments for hardware and software being used in the electronic communications network (continued)

Termination of the Agreement by ICTA (continued):

The contract (“the TT Mobil Concession Agreement”) was rearranged after the Authorization Tender for IMT Services and Infrastructures made by ICTA on 26 August 2015.

TT Mobil has been authorized to provide IMT service and Limited Use Authorization Certificate on 27 October 2015.

According to the Authorization Certificate;

- i) TT Mobil shall provide emergency call services in line with the regulations of ICTA, free of charge bearing all costs and comply with the regulations of ICTA in relation to this matter.
- ii) TT Mobil shall keep at least 2 mobile base stations so as to be used for the provision of IMT services upon the Ministry’s request, in the case of disaster and emergency.
- iii) Within the first 5 years by the signature of the Agreement, TT Mobil shall obtain the approval of the ICTA for each assignment of TT Mobil shares in ratio exceeding 10% to persons and entities other than the current shareholders and subsidiaries of the current shareholders. Any type of share assignment leading a change in the control of TT Mobil shall be subject to the approval of the ICTA.
- iv) TT Mobil has granted a bank letter of guarantee amounting to EUR 57.300 which is 6% of the total fee, for to act as final guarantee. Should be understood that TT Mobil to not perform its contractual obligations; ICTA shall record and confiscate the final guarantee as income. In such confiscation of final guarantee as income is realized, TT Mobil shall grant new final guarantee within 30 days. Should the new final guarantee not granted within the said period, the Authorization might be terminated by ICTA.
- v) TT Mobil will pay an amount equal to 15% of the gross sales on a monthly basis to the Treasury, except for the default interest imposed on their subscribers for their late payments, indirect taxes, financial obligations such as charges and fees, and the accrual amounts accounted for reporting purposes.
- vi) TT Mobil shall pay the administrative fee at the rate and in the way determined by ICTA in accordance with the applicable law.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

23. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Concession Agreement of the Establishment and Operation of IMT2000/UMTS Infrastructures and Provision of Services (continued)

Coverage Area Obligations:

Following the authorization, TT Mobil shall put at least

- 95% of Turkey’s population within 8 years
- 90% of the population in each province and district within 8 years
- 99% of highways, high speed and very high speed train routes and tunnels longer than 1 km within 3 years
- 95% of divided highways within 6 years
- 90% of conventional train routes within 10 years
- 99% of highways, high speed and very high speed train routes and tunnels longer than 1 km added after the first year within 2 years of its entering into service
- 95% of divided highways added after the fourth year within 2 years of its entering into service
- 90% of conventional train routes added after the eight year within 2 years of its entering into service under coverage. Additionally, following the authorization, TT Mobil shall put at least

Areas covered by TT Mobil pursuant to the IMT-2000/UMTS Concession Agreement shall be deemed to be also covered under this authorization on condition that the service quality criteria set forth in the respective article are satisfied. Additionally, areas covered by TT Mobil under this authorization for the purpose of provision of IMT services shall be deemed to be covered in the determination of the coverage obligation of IMT-2000/UMTS services.

Coverage obligation shall be fulfilled by TT Mobil on its own and not through national roaming. However, TT Mobil shall be entitled to share radio access network in the areas under the coverage obligation.

Maximum two settlements per year shall be primarily brought by TT Mobil under coverage upon ICTA’s request and under the service quality standards determined for such areas.

In the event that the fulfilment of coverage obligation is delayed for any reason other than force majeure events, administrative fine shall be applied pursuant to the applicable law. In the event that the fulfilment of the coverage obligation is delayed for more than two (2) years, the Authorization might be terminated by ICTA.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

23. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Concession Agreement of the Establishment and Operation of IMT2000/UMTS Infrastructures and Provision of Services (continued)

Service quality obligation:

TT Mobil shall ensure data download at minimum 2 Mbps in the areas subject to coverage obligation at a probability of 95% per user. The matters related to the inspection of this obligation shall be determined by ICTA.

These data transmission speeds are minimum values and ICTA shall determine service quality obligations required to be ensured by TT Mobil taking into account ETSI standards, ITU standards, decisions and recommendation, our national development targets, technological improvements and user requirements.

Sharing the Radio Access Network:

On condition that the provisions of the applicable law are not breached, TT Mobil may install and operate the radio access network to be installed for the provision of IMT services together with other operators authorized to provide IMT services and further, lease necessary transmission lines from authorized operators in order to materialize the connections within the radio access network.

This right shall not remove the obligations of TT Mobil under the authorization and shall not constitute a reason for non-fulfilment of such obligations. TT Mobil shall not avoid fulfilling its obligations under the authorization due to reasons arising from the sharing. TT Mobil shall, in the case of sharing, be obliged to take all measures required to prevent any interruption of services it provides under the authorization.

In all settlements having a population less than 10.000, TT Mobil shall, following the authorization, be obliged to:

- a) install antenna facilities to be installed under the authorization (excluding in-building antenna facilities) in such manner that facilitates active sharing of radio access network with other operators and share such facilities with the operators,
- b) In the event that there exists any antenna facilities installed by other operators at the settlements in question following the authorization for the antenna facilities to be newly installed by TT Mobil under this authorization, TT Mobil shall use such antenna facility by active sharing of radio access network.

Following this authorization, the antenna facilities newly installed under IMT-2000/UMTS Concession Agreements shall also be subject to the obligation prescribed by this paragraph.

TT Mobil shall be obliged to actively share radio access network in the antenna facilities to be newly installed under this authorization in order to cover highways, high speed railways and divided highways following the authorization. Following this authorization, the antenna facilities newly installed under IMT-2000/UMTS Concession Agreements shall also be subject to the aforementioned obligation.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

23. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Concession Agreement of the Establishment and Operation of IMT2000/UMTS Infrastructures and Provision of Services (continued)

Investments and communication services related to the hardware and software used in the network

Except investments made for property lease, tower, pole, pipe, container, conduit, power transmission lines and similar infrastructure; TT Mobil shall, following the authorization, be obliged to provide:

a) At least 40% of its investments and communication services related to the network (such as hardware, software); Within two (2) years, from supplier companies established in Turkey as to develop R&D projects in the field of information and communication technologies, employing at least 500 engineers and 100 researchers; within four (4) years, from supplier companies having a R&D center, employing 500 engineers and 250 researchers, or within two (2) years, from supplier companies established in Turkey as to develop R&D projects in the field of information and communication technologies, employing at least 350 engineers and 100 researchers and also within two (2) years from supplier companies having a Technical Assistance Center employing at least 150 engineers, within four (4) years from supplier companies having R&D center employing 350 engineers and 250 researchers and within four (4) years from supplier companies having a Technical Assistance Center employing at least 150 engineers.

b) At least 10% of its investments from products produced in Turkey and from SMEs established to develop products and systems in Turkey.

Up to 60 within 2 years and up to 150 within 4 years following the authorization, of the personnel of TT Mobil employed in the status of researcher at the R&D center established by TT Mobil for the purpose of developing R&D projects in the field of information and communication technologies shall be taken into account under the obligation related to the number of the researchers set forth in the sub-paragraph (a) of this paragraph provided that such center is organized as an independent unit under TT Mobil’s organization or all shares of the center are owned by TT Mobil.

Teaching staff of universities who work part-time at R&D centers under the applicable law or while working at universities carry out academic studies requested by the supplier and/or TT Mobil may be included in the researchers to be employed by the supplier and/or TT Mobil at R&D centers. The number of teaching staff may not exceed 10% of total number of researchers referred to in this subparagraph (a).

A supplier company may establish R&D and technical assistance centers together with institutions or bodies, except other suppliers, established in Turkey, which operate in the field of information and communication technologies and do not have a R&D or technical assistance center established with other suppliers. The supplier companies must hold at least 50% of the shares of such centers.

All independent software and hardware units to be used by TT Mobil in the network shall be interconnected through explicit interfaces.

TT Mobil shall be obliged to materialize its investments and communication services relating to the network (such as hardware, software) by checking and verifying whether or not the supplier companies and Small Entities (“SME”) fulfil the conditions stated above.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

23. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Concession Agreement of the Establishment and Operation of IMT2000/UMTS Infrastructures and Provision of Services (continued)

Investments and communication services related to the hardware and software used in the network (continued)

TT Mobil shall be obliged to supply its investments and communication services relating to the network (hardware or software such as base station, switching, router), except investments relating to property lease, tower, pole, container, channel, power transmission lines and similar facilities, from the products determined to be domestic product under the Law No 4734 and applicable law at least by 30% within the first year, at least by 40% within the second year and at least by 45% within subsequent years following the authorization. Such items among the products supplied by the supplier companies and SMEs to TT Mobil, which are determined to be domestic products shall be taken into account under this obligation. TT Mobil contemplating that it will not be able to fulfil its obligations set forth in this paragraph due to the availability condition of the products determined to be domestic products, supply capacity of the producers and other conditions shall apply to ICTA indicating the reasons, no later than six (6) months before the expiry of the obligation period. ICTA may reduce or terminate the obligation for the respective period if it deems necessary.

Additional to the obligation in the paragraph above; investments specified in the paragraph above, to be measured for periods of 4 years, following the authorization TT Mobil shall be obliged to supply from the products determined to be domestic product under the Law No 4734 and applicable law a minimum average of 30% in the first 4 years, 40% in the second 4 years and 45% in the third 4 years. Such items among the products supplied by the supplier companies and SMEs to TT Mobil, which are determined to be domestic products shall be taken into account under this obligation. TT Mobil contemplating that it will not be able to fulfil its obligations set forth in this paragraph due to the availability condition of the products determined to be domestic products, supply capacity of the producers and other conditions shall apply to ICTA indicating the reasons, no later than six (6) months before the expiry of the obligation period. ICTA, provided that Ministry’s opinion to be taken, may reduce or terminate the obligation for the respective period if it deems necessary.

Whether or not the obligations under this article have been fulfilled shall be evaluated with the obligations of TT Mobil under the IMT-2000/UMTS Concession Agreement.

Cancellation of Authorization:

ICTA may terminate the Authorization Certificate for the following reasons;

- A bankruptcy or bankrupt’s certificate decision on TT Mobil given by the judicial authorities,
- TT Mobil not performing some of its contractual obligations and not correcting such breach in the given period,
- TT Mobil operating under the frequencies other than the ones allocated to itself by ICTA and not ceasing these operation within the given period,
- Termination of one of TT Mobil’s Concession Agreements signed earlier,
- TT Mobil not performing its obligations stated in the article related to confidentiality of the communication, national security and public order

In such circumstances, ICTA gives TT Mobil the opportunity to fulfil its obligations within 90 days after the written notice. In case TT Mobil cannot fulfil all the obligations within this period, the Authorization Certificate will be terminated by ICTA.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

23. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Concession Agreement of the Establishment and Operation of IMT2000/UMTS Infrastructures and Provision of Services (continued)

Cancellation of Authorization (continued)

The license fee or any other fee is not reimbursable in case of a termination of agreement. In the case of cancellation of agreement by ICTA, TT Mobil will alienate all data and documents which constitute system, software affecting the running of system (including tower, beam, blare, container, channel, energy transmission lines, antenna etc), stated and in the usage of TT Mobil to ICTA or to the entity ICTA enounces by making sure that there is no pledge, mortgage, levy and related legal blockages on them and they are free of cost and works free of problems.

Legal proceedings of Türk Telekom

Disputes between the 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. According to the Article 99 of the Law numbered 7061 “Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation” which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the sub-article 9 added to the Article 60 of the Law numbered 5809; customer returns that are not repaid to the customers within the 2-year period, shall be transferred to the Ministry of Transport and Infrastructure of the Republic of Turkey as revenue under the name of “Revenues for Universal Service”. For the period ended 31 December 2022, customer returns amounted to TL 4.315 was transferred. As of 31 December 2022, TL 23.590 provision provided for ICTA penalties and amounts to be repaid to customers or to the Ministry of Transport and Infrastructure of the Republic of Turkey due to ICTA resolutions (31 December 2020: TL 59.531).

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 109.503 as at 31 December 2022 (31 December 2021: TL 92.292). 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.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

24. SUPPLEMENTARY CASH FLOW INFORMATION

Other explanations

	Issued debt instruments	Bank borrowings	Lease liabilities	Derivative financial assets, net	Total
1 January 2022 opening balance	(13.260.538)	(15.103.379)	(1.439.460)	3.572.307	(26.231.070)
Cash flows	2.330.150	8.649.682	–	3.203.090	14.182.922
Acquisition	(1.511.513)	(8.221.309)	(1.325.246)	(93.553)	(11.151.621)
Other non-cash changes	(6.607.821)	(6.676.008)	1.245.090	(2.741.090)	(14.779.829)
31 December 2022 closing balance	(19.049.722)	(21.351.014)	(1.519.616)	3.940.754	(37.979.598)

“Other outflows of cash” in net cash used in operating activities amounting to TL 4.122 represents change in restricted cash (Note 4). “Other inflows of cash, net” in net cash used in financial activities amounting to TL 466.641 represents change in other financial payment. “Other adjustment for non-cash items” in adjustments to reconcile net profit to cash provided by operating activities amounting to TL 416.475 represents change in TFRS Interpretation 12.

25. SUBSEQUENT EVENTS

In line with the long-term strategic planning and objectives of the company, it has been made a application to ICTA in accordance with the relevant legislation as of 3 January 2023 for the extension of concession agreement on execution of telecommunications services signed between Turk Telekom and ICTA on 14 November 2005 and valid until 2026.

Two major earthquakes with a magnitude of 7.7 and 7.6 in Kahramanmaraş were effective in 10 cities of our country on 6 February 2023 and caused serious loss of life and property. Although the effects of earthquakes on the activities and financial statements of our group companies are still evaluated, it is estimated that they will remain at a limited level and all assets in the earthquake zone are covered by insurance policy.

In light of the ongoing extraordinary conditions caused by the devastating earthquake that struck south-eastern Turkey on 6 February 2023, Türk Telekom Group Board of Directors has resolved to make a donation of up to TL 2 billion directly and/or through the Ministry of Interior Disaster and Emergency Management Presidency ("AFAD"), in accordance with the Capital Markets Board resolution no. 8/174 dated 9 February 2023. The donation is subject to approval at the 2022 Ordinary General Assembly.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

26. REVENUE

	1 January - 31 December 2022	1 January - 31 December 2021
Mobile	16.426.252	11.499.619
Broadband	14.170.793	10.711.533
IFRIC 12 revenue	3.621.093	2.571.246
International revenue	3.186.607	2.004.470
Fixed voice	3.057.575	2.728.458
Corporate data	2.952.092	2.356.906
TV	506.792	423.664
Other	4.121.081	1.977.038
	48.042.285	34.272.934

27. OPERATING EXPENSES

	1 January - 31 December 2022	1 January - 31 December 2021
Cost of sales (-)	(29.577.355)	(19.404.440)
General administrative expenses (-)	(4.266.213)	(2.642.987)
Marketing, sales and distribution expenses (-)	(3.936.550)	(2.644.196)
Research and development expenses (-)	(438.545)	(273.817)
	(38.218.663)	(24.965.440)

28. EXPENSES BY NATURE

	1 January - 31 December 2022	1 January - 31 December 2021
Personnel expenses	(7.979.238)	(4.697.951)
Taxes	(4.160.113)	(2.967.656)
TFRS Interpretation 12 related fixed assets additions and capex provision expenses	(3.204.718)	(2.275.439)
Repair and maintenance expenses	(2.647.792)	(1.502.591)
Utilities	(2.492.216)	(1.127.503)
International interconnection	(2.334.627)	(1.500.646)
Cost of sales and cost of equipment sales of technology companies	(1.912.122)	(1.049.902)
Domestic interconnection	(1.574.794)	(1.487.545)
Other expenses	(3.811.770)	(2.246.478)
Total operating expenses (excluding depreciation and amortization expense)	(30.117.390)	(18.855.711)
Depreciation, amortization	(8.084.542)	(6.169.325)
Impairment expenses	(16.731)	(32.882)
Total operating expenses	(38.218.663)	(25.057.918)

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

29. OTHER OPERATING INCOME / (EXPENSE)

	1 January - 31 December 2022	1 January - 31 December 2021
Interest and discount gains	239.403	194.153
Rental income	168.985	127.981
Litigation and indemnity income	68.452	56.662
Foreign exchange gains	19.123	44.170
Curtailement and settlement gain	–	23.083
Other	293.288	156.850
Other operating income	789.251	602.899
Foreign exchange losses	(714.664)	(1.331.113)
Interest expenses on employee benefit obligations (Note 21)	(212.023)	(88.915)
Litigation provision, compensation and penalty expenses (*)	(155.452)	(231.676)
Discount losses	(61.410)	–
Other	(168.316)	(55.199)
Other operating expense (-)	(1.311.865)	(1.706.903)

(*) Litigation, compensation and penalty expenses mainly consist of ICTA fines, customer return provisions and lawsuit provisions, reconstituted administrative fine of the Ministry of Commerce settled within the scope of Law no.7326 and tax assessments.

30. INCOME / (EXPENSE) FROM INVESTING ACTIVITIES

	1 January - 31 December 2022	1 January - 31 December 2021
Fair value gains on currency-protected deposits	1.412.658	–
Gain from scrap sales	1.143.609	1.063.627
Gain on sales of property, plant and equipment	72.680	79.706
Income from investing activities	2.628.947	1.143.333
Losses from sales on property, plant and equipment	(24.107)	(16.785)
Expense from investing activities (-)	(24.107)	(16.785)

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

31. FINANCIAL INCOME / (EXPENSE)

	1 January - 31 December 2022	1 January - 31 December 2021
Foreign exchange and derivative instruments gains	2.105.647	4.889.475
Gains on change in fair value of bills, bonds and notes issued	557.225	3.332
Interest income on bank deposits	276.203	121.761
Other	9.549	852
Financial Income	2.948.624	5.015.420
Foreign exchange and derivative instruments loss	(9.379.720)	(6.159.538)
Interest expense	(3.237.789)	(2.173.618)
Other	(206.603)	(112.808)
Financial expenses	(12.824.112)	(8.445.964)
Financial expenses, net	(9.875.488)	(3.430.544)

32. TAXATION ON INCOME

	31 December 2022	31 December 2022
Corporate tax payable:		
Current corporate tax provision	419.527	634.938
Prepaid taxes and funds (-)	(352.003)	(474.424)
Tax payable	67.524	160.514

	1 January - 31 December 2022	1 January - 31 December 2021
Tax expense:		
Current tax expense:		
Current income tax expense	(419.527)	(634.938)
Adjustments in respect of income tax of previous year	395	17.388
Deferred income (Note 11) :		
Deferred tax income	2.717.504	758.162
	2.298.372	140.612

As of 31 December 2022 deferred tax expense amounting to TL 679.611 (31 December 2021: TL 672.857 income) are recognized in the consolidated statement of other comprehensive income.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

32. TAXATION ON INCOME (CONTINUED)

The Company and its subsidiaries located in Turkey are subject to taxation in accordance with the tax regulations and the legislation effective in Turkey where the Group companies operate. Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one instalment by the end of the fourth month.

In Turkey, corporate tax rate is 23% as of 31 December 2022. However, the corporate tax rate will be applied as 25% for the corporate income for the 2021 taxation period and 23% for the corporate income for the 2022 taxation period in accordance with the article 11 of the Law No. 7316 on the Procedure for Collection of Public Claims and the Law Amending Some Other Laws and included to the temporary article 13 of Law No. 5520 Corporate Tax Law which are published in the Official Gazette numbered 31462 on 22 April 2021. As of the twelve months period ended 31 December 2022, corporate tax provisions have been calculated and accrued at 23%.

The tax legislation provides for a temporary tax of 23% to be calculated and paid based on earnings generated for first three quarters for the period ended 31 December 2022. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

Dividend payments made to resident and non-resident individuals, non-resident legal entities and corporations resident in Turkey (except for the ones exempt from corporate and income tax), are subject to an income tax of 15%.

Dividend payments made from a corporation resident in Turkey to a corporation also resident in Turkey are not subject to income tax. Furthermore, income tax is not calculated in case the profit is not distributed or transferred to equity.

The dividend income (excluding the participation certificates of investment funds and profit shares derived from the share certificates of investment trusts) derived by entities from the participation in the capital of another resident entity is exempt from corporate tax. Furthermore, 50% of the income derived by entities from the sale of participation shares and real estates (immovable property) preferential rights, founders' shares and redeemed shares which are carried in assets at least for two years is exempt from corporate tax as of 31 December 2022.

In order to be able to benefit from the exemption, the relevant income should be kept under a fund account in the liabilities and should not be withdrawn from the enterprise for 5 years. The sales amount should be collected by the end of the second calendar year following the year of sale.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

32. TAXATION ON INCOME (CONTINUED)

The reconciliation between tax expense and the product of accounting profit multiplied by applicable tax is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Profit / (loss) before tax:	1.836.474	5.620.842
Tax at the corporate tax rate of (23%) (2021:25%)	(422.389)	(1.405.211)
Tax effects of:		
-Expenses that are not deductible in determining taxable profit	(366.789)	(316.212)
-Tax rate difference of subsidiaries	(2.249)	(6.245)
-Deferred tax asset recognition from cash capital increase	42.798	302.587
-Deferred tax asset recognition from investment allowances and previous years' tax losses carried forward by subsidiaries	(59.783)	140.868
-Deferred tax effect resulting from investment incentive	559.657	668.519
-R&D investment incentive	251.797	184.701
-Tax Amnesty and reconstruction under Law No. 7326	1.988.204	318.155
-Effects of tax rate changes	(63.557)	225.241
-Previously unrecognised tax loss temporary difference of a prior period	368.565	–
-Adjustments and tax losses of subsidiaries not subject to deferred tax and other	2.118	28.209
Tax income / (expense) for the year	2.298.372	140.612

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk policies of the Group are managed centrally with the support of a committee. All Group companies meet their cash needs determined in business plans approved by their boards, by using credits or capital increase with guidance of the central management. The Group may choose long or short term financing according to their financing needs and market assumptions.

The Group’s risk management policies are designed to identify and analyze the risks faced by the Group, to determine appropriate risks limits and controls, and to observe commitment to these limits. Risk management policies and systems are constantly under review to reflect changes in the Group’s activities and market conditions.

The Group audit committee oversees how management monitors compliance with the Group’s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Financial risk factors

The Group’s principal financial instruments comprise forward market transactions, bank loans and cash and short-term deposits. The main purpose of these financial instruments is to raise funds for the Group’s operations and to hedge interest rate risk. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the Group’s financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The board reviews and agrees to policies for managing each of these risks.

Credit risk

	Receivables								
	Trade Receivables		Other receivables		Contract assets		Deposits and banks	Derivative Instruments	Other
	Related Parties	Third Parties	Related Parties	Third Parties	Related Parties	Third Parties			
31 December 2022									
Maximum credit risk exposed to as at the reporting date (A+B+C+D+E)	508.513	8.249.733	-	235.819	-	1.430.878	5.123.254	4.082.281	-
- Guaranteed portion of the maximum risk	-	341.361	-	-	-	-	-	-	-
	508.513	3.491.101	-	235.819	-	1.430.878	5.123.254	4.082.281	-
A. Carrying amount of financial assets not overdue or not impaired	-	-	-	-	-	-	-	-	-
B. Carrying amount of financial assets with rediscussed conditions that are considered overdue or impaired if not rediscussed	-	4.758.632	-	-	-	-	-	-	-
C. Carrying amount of financial assets overdue but not impaired	-	-	-	-	-	-	-	-	-
-Amount secured via guarantees	-	-	-	-	-	-	-	-	-
D. Carrying amount of assets impaired	-	4.108.271	-	57.006	-	-	-	-	-
-Overdue (gross book value)	-	(4.108.271)	-	(57.006)	-	-	-	-	-
-Impairment (-)	-	-	-	-	-	-	-	-	-
E. Off balance sheet items with credit risk	-	-	-	-	-	-	-	-	-

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

31 December 2021	Receivables								
	Trade Receivables		Other receivables		Contract assets		Deposits and banks	Derivative Instruments	Other
	Related Parties	Third Parties	Related Parties	Third Parties	Related Parties	Third Parties			
Maximum credit risk exposed to as at the reporting date (A+B+C+D+E)	53.869	6.656.479	-	151.660	-	1.007.052	7.696.351	4.039.063	-
- Guaranteed portion of the maximum risk	-	224.100	-	-	-	-	-	-	-
A. Carrying amount of financial assets not overdue or not impaired	53.869	5.398.407	-	151.660	-	-	7.696.351	4.039.063	-
B. Carrying amount of financial assets with rediscussed conditions that are considered overdue or impaired if not rediscussed	-	-	-	-	-	-	-	-	-
C. Carrying amount of financial assets overdue but not impaired	-	1.258.072	-	-	-	-	-	-	-
-Amount secured via guarantees	-	-	-	-	-	-	-	-	-
D. Carrying amount of assets impaired	-	3.946.503	-	43.136	-	-	-	-	-
-Overdue (gross book value)	-	(3.946.503)	-	(43.136)	-	-	-	-	-
-Impairment (-)	-	-	-	-	-	-	-	-	-
E. Off balance sheet items with credit risk	-	-	-	-	-	-	-	-	-

Financial losses due to Group’s receivables and financial assets which result from not implementing agreement clauses related to financial assets by a customer or other party constitutes credit risk.

When determining the credit risk exposure as at the balance sheet date, items like guarantees received, which increase the credit worthiness have not been considered.

As of 31 December 2022, the maximum credit risk Company exposure is reflected by presenting all financial assets from carrying amount on consolidated balance sheet.

Liquidity risk

Liquidity risk is uncertainty to cover future financial obligations.

The Group’s objective is to maintain a balance between current assets and liabilities through close monitoring of payment plans and cash projections.

The Group manages current and long-term funding by maintaining adequate reserves, banking facilities, reserve borrowing facilities and loan agreements with suppliers through continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The table below summarizes the maturity profile of the Group’s financial liabilities at 31 December 2022 and 2021 based on contractual undiscounted payments (including interest payments not due yet).

Contract based maturities as at 31 December 2022	Book value	Total contract based cash outflow (I+II+III+IV)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Financial liabilities and issued debt instruments	40.400.736	46.599.316	3.635.603	10.598.991	31.407.308	957.414
Lease liabilities	1.519.616	1.936.004	301.638	518.621	970.856	144.889
Trade payables to unrelated parties	9.294.752	9.477.913	9.477.762	151	–	–
Other (*)	2.020.435	2.020.435	1.962.310	–	58.125	–
Derivative financial liabilities, net	141.527	141.527	141.527	–	–	–
Contract based maturities as at 31 December 2021						
	Book value	Total contract based cash outflow (I+II+III+IV)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Financial liabilities and issued debt instruments	28.363.917	31.773.105	778.374	6.609.244	23.777.995	607.492
Lease liabilities	1.439.460	1.811.264	295.224	452.557	924.333	139.150
Trade payables to unrelated parties	7.729.147	7.729.147	7.608.294	120.853	–	–
Other (*)	1.509.123	1.509.123	1.468.823	–	40.300	–
Derivative financial liabilities, net	466.756	466.756	159.051	124.579	183.126	–

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

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk

Foreign Currency Risk

	31 December 2022				31 December 2021			
	Total TL Equivalent	USD	EUR	Other	Total TL Equivalent	USD	EUR	Other
1. Trade receivables	1.144.681	45.349	13.661	24.394	607.012	35.871	7.760	11.813
2a. Monetary financial assets (Cash and banks accounts included)	2.263.609	115.226	4.579	17.799	5.870.926	358.425	71.595	13.341
2b. Monetary financial assets (Currency protected time deposit) (*)	4.880.842	–	–	–	–	–	–	–
2c. Non-monetary financial assets	–	–	–	–	–	–	–	–
3. Other	191.840	–	9.623	–	50.622	230	3.152	–
4. Current assets (1+2+3)	8.480.972	160.575	27.863	42.193	6.528.560	394.526	82.507	25.154
5. Trade receivables	–	–	–	–	–	–	–	–
6a. Monetary financial assets	–	–	–	–	–	–	–	–
6b. Non-monetary financial assets	–	–	–	–	–	–	–	–
7. Other	2.193	15	96	–	–	–	–	–
8. Non-current assets (5+6+7)	2.193	15	96	–	–	–	–	–
9. Total assets (4+8)	8.483.165	160.590	27.959	42.193	6.528.560	394.526	82.507	25.154
10. Trade payables	6.128.688	219.923	98.878	45.384	5.050.635	235.172	125.365	24.678
11. Financial liabilities	5.144.950	140.020	126.251	9.998	6.234.302	310.985	138.053	6.417
12a. Monetary other liabilities	–	–	–	–	–	–	–	–
12b. Non-monetary other liabilities	–	–	–	–	–	–	–	–
13. Short-term liabilities (10+11+12)	11.273.638	359.943	225.129	55.382	11.284.937	546.157	263.418	31.095
14. Trade payables	270	–	–	270	–	–	–	–
15. Financial liabilities	28.804.590	1.265.064	257.518	16.459	21.949.229	1.339.512	270.365	15.952
16a. Monetary other liabilities	–	–	–	–	–	–	–	–
16b. Non-monetary other liabilities	–	–	–	–	–	–	–	–
17. Long-term liabilities (14+15+16)	28.804.860	1.265.064	257.518	16.729	21.949.229	1.339.512	270.365	15.952
18. Total liabilities (13+17)	40.078.498	1.625.007	482.647	72.111	33.234.166	1.885.669	533.783	47.047
19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b)	36.933.129	1.670.255	286.040	–	28.715.088	1.744.240	362.313	–
19a. Total asset amount hedged	–	–	–	–	–	–	–	–
19b. Total liability amount hedged	(36.933.129)	(1.670.255)	(286.040)	–	(28.715.088)	(1.744.240)	(362.313)	–
20. Loans defined as hedging instruments (**)	2.532.909	–	127.059	–	1.607.058	–	104.088	–
21. Net foreign currency asset/(liability) position (9-18+19+20)	7.870.705	205.838	(41.589)	(29.918)	3.616.540	253.097	15.125	(21.893)
22. Net asset/(liability) position of foreign currency monetary items (IFRS 7.B23) (=1+2a+2b+5+6a-10-11-12a-14-15-16a)	(31.789.366)	(1.464.432)	(464.407)	(29.918)	(26.756.228)	(1.491.373)	(454.428)	(21.893)

(*) The Group has made currency protected time deposits with 180 and 360 days maturity by Group’s USD 248.200 of foreign currency deposits.

(**) The Company utilized a loan amounting to EUR 127.059 in order to hedge its net investment in a foreign operation with a EUR 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.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022**

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

Foreign currency risk (continued)

The Group has transactional currency exposures mainly with respect to the financial liabilities and trade payables. Foreign currency denominated borrowings are stated in Note 5.

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

31 December 2022	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	(2.738.209)	2.738.209	–	–
2- Hedged portion of USD risk (-)	2.194.067	(2.137.957)	45.260	(52.723)
3- USD net effect (1+2)	(544.142)	600.252	45.260	(52.723)
Appreciation of EUR against TL by 10%:				
4- EUR net asset/liability	(906.417)	906.417	–	–
5- Hedged portion of EUR risk (-)	621.180	(621.180)	12.222	87.073
6- EUR net effect (4+5)	(285.237)	285.237	12.222	87.073
Appreciation of other foreign currencies against TL by 10%:				
7- Other foreign currency net asset/liability	(2.992)	2.992	–	–
8- Hedged portion of other foreign currency (-)	–	–	–	–
9- Other foreign currency net effect (7+8)	(2.992)	2.992	–	–
Total (3+6+9)	(832.371)	888.481	57.482	34.350

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

Foreign currency risk (continued)

31 December 2021	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	(1.987.544)	1.987.544	–	–
2- Hedged portion of USD risk (-)	1.005.918	(1.368.303)	123.369	199.012
3- USD net effect (1+2)	(981.626)	619.241	123.369	199.012
Appreciation of EUR against TL by 10%:				
4- EUR net asset/liability	(680.827)	680.827	–	–
5- Hedged portion of EUR risk (-)	426.541	(618.389)	(8.280)	323.323
6- EUR net effect (4+5)	(254.286)	62.438	(8.280)	323.323
Appreciation of other foreign currencies against TL by 10%:				
7- Other foreign currency net asset/liability	(2.189)	2.189	–	–
8- Hedged portion of other foreign currency (-)	–	–	–	–
9- Other foreign currency net effect (7+8)	(2.189)	2.189	–	–
Total (3+6+9)	(1.238.101)	683.868	115.089	522.335

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk

The value of a financial instrument will fluctuate as a result of changes in market prices. The Group’s interest rate risk is primarily attributable to its borrowings.

The interest-bearing financial liabilities have variable interest rates, whereas the interest bearing financial assets have a fixed interest rate and future cash flows associated with these financial instruments will not fluctuate in amount. The Group is subject to interest risk due to financial liabilities and finance lease obligations. Policy of the Group is to manage this risk through fixed and variable rates borrowings. In order to cover for these risks, the Group has entered into interest rate swaps (Note 15).

The interest rate risk table is presented below:

	31 December 2022	31 December 2021
Financial instruments with fixed interest rate		
Financial assets (*)	3.574.795	6.763.055
Financial liabilities	(24.158.101)	(13.898.494)
	(20.583.306)	(7.135.439)
Financial instruments with variable interest rate		
Financial liabilities	(16.242.635)	(14.465.423)
Effect of hedging	15.730.145	18.925.223
	(512.490)	4.459.800

(*) Financial assets consists of cash at banks - time deposit (Note 4).

If the base point of denominated interest rates for financial instruments with variable interest rate was higher 0,25%, with all other variables held constant, the Group’s income before tax and minority interest would be lower by TL 14.034 (31 December 2021: 28.462) and interest rate was lower 0,25%, with all other variables held constant, the Group’s income before tax and minority interest would be higher by TL 14.621 (31 December 2021: TL 33.230) as of 31 December 2022.

On the other side because of hedging, if the base point of interest rate higher/lower 0,25%, equity would have no effect (31 December 2021: would have no effect). If the base point of interest rate lower 0,25%, equity would have no effect (31 December 2021: would have no effect).

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

The below table summarizes the carrying and fair values of financial asset and liabilities in the Group’s consolidated financial statements.

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

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

	Carrying amount		Fair value	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Financial assets				
Cash and cash equivalents	5.124.899	7.696.870	5.124.899	7.696.870
Trade and other receivables (including related parties)	9.179.785	6.862.008	9.178.453	6.862.008
Financial investments (*)	4.905.438	13.671	4.905.438 (*)	13.671 (*)
Derivative financial assets	4.082.281	4.039.063	4.082.281	4.039.063
Financial liabilities				
Bank borrowings	21.351.014	15.103.379	21.286.130	15.106.751
Issued debt instruments	19.049.722	13.260.538	18.510.028	13.548.878
Trade payables and other liabilities (including related parties) (**)	11.488.964	9.238.270	11.488.964	9.238.270
Derivative financial liabilities	141.527	466.756	141.527	466.756

(*) Group’s share in financial investments are carried at cost. Information on fair value of share in these investments are 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

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

Fair value hierarchy table as at 31 December 2022 is as follows:

	Date of Valuation	Total	Fair Value Measurement		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets measured at fair value:					
<u>Derivative Financial Assets:</u>					
Interest rate swaps	31 December 2022	89.337	–	89.337	–
Cross currency swaps (*)	31 December 2022	3.937.075	–	3.937.075	–
Futures	31 December 2022	44.370	–	44.370	–
Commodity derivative (Copper)	31 December 2022	11.499	–	11.499	–
Currency protected time deposit	31 December 2022	4.880.842	–	4.880.842	–
Liquid fund	31 December 2022	600.223	600.223	–	–
Financial liabilities measured at fair value:					
Issued debt instruments	31 December 2022	8.479.466	8.479.466	–	–
<u>Derivative Financial Liabilities:</u>					
Interest rate swaps	31 December 2022	131.356	–	131.356	–
Cross currency swaps	31 December 2022	10.171	–	10.171	–
Other financial liabilities not measured at fair value:					
Bank loans	31 December 2022	21.286.130	–	21.286.130	–
Issued debt instruments	31 December 2022	10.030.562	10.030.562	–	–

Fair value hierarchy table as at 31 December 2021 is as follows:

	Date of Valuation	Total	Fair Value Measurement		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets measured at fair value:					
<u>Derivative Financial Assets:</u>					
Interest rate swaps	31 December 2021	39.980	–	39.980	–
Cross currency swaps (*)	31 December 2021	3.773.176	–	3.773.176	–
Futures	31 December 2021	224.125	–	224.125	–
Commodity derivative (Copper)	31 December 2021	1.782	–	1.782	–
Financial liabilities measured at fair value:					
Issued debt instruments	31 December 2021	6.322.835	6.322.835	–	–
<u>Derivative Financial Liabilities:</u>					
Interest rate swaps	31 December 2021	351.986	–	351.986	–
Cross currency swaps (*)	31 December 2021	23.352	–	23.352	–
Futures	31 December 2021	91.259	–	91.259	–
Commodity derivative (Copper)	31 December 2021	159	–	159	–
Other financial liabilities not measured at fair value					
Bank loans	31 December 2021	15.103.379	–	15.103.379	–
Issued debt instruments	31 December 2021	7.226.043	7.226.043	–	–

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

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 2021 and 2022.

34. INDEPENDENT AUDIT FEES AND OTHER FEES RELATED SERVICES RECEIVED FROM INDEPENDENT AUDIT FIRM

The fees related to the services received by the Group from the independent auditor/independent audit firm are presented below:

	1 January - 31 December 2022	1 January - 31 December 2021
Audit fee for the year	16.833	7.015
Fees for tax advisory services	1.403	676
Fees for other assurance services	235	15
Total	18.471	7.706