

**Türk Telekomünikasyon
Anonim Şirketi and Its Subsidiaries
30 September 2021**

Interim Condensed Consolidated
Financial Statements As At and For
The Nine Months Period
Ended 30 September 2021

2 November 2021

This report contains 2 pages of “Independent Auditor’s Report” and 48 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 INTERIM
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2021**

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

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021

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

		Current period	Prior period
		Unaudited	Audited
	Notes	30 September 2021	31 December 2020
Assets			
Total current assets		15.648.093	13.289.465
Cash and cash equivalents	6	4.828.706	5.007.927
Trade receivables			
- Trade receivables due from related parties	8	14.615	15.334
- Trade receivables due from unrelated parties	9	7.286.665	6.187.294
Other receivables			
- Other receivables due from unrelated parties		111.353	68.396
Derivative financial assets			
- Derivative financial assets held for trading	15	79.876	958
- Derivative financial assets held for hedging	15	2.112.229	1.206.509
Inventories		417.522	248.966
Prepayments			
- Prepayments to unrelated parties		481.867	199.469
Current tax assets		34.789	63.684
Other current assets			
- Other current assets due from unrelated parties		243.110	253.567
		15.610.732	13.252.104
Non-current assets or disposal groups classified as held for sale		37.361	37.361
Total non-current assets		32.691.530	31.433.055
Financial investments			
- Other financial investments		25.511	17.956
Trade receivables			
- Trade receivables due from unrelated parties	9	181.921	281.442
Other receivables			
- Other receivables due from unrelated parties		32.553	32.825
Derivative financial assets			
- Derivative financial assets held for trading	15	30.054	32.710
Right of use assets		1.562.116	1.546.155
Investment property		15.906	17.612
Property, plant and equipment			
- Land and premises		6.411.018	5.894.276
- Buildings		533.275	574.312
- Machinery and equipments		9.139.422	9.201.422
- Other property, plant and equipment		815.409	394.901
Intangible assets			
- Goodwill		44.944	44.944
- Rights regarding concession agreements		5.855.645	5.107.436
- Licences		2.172.026	2.404.054
- Other intangible assets		4.488.203	4.581.021
Prepayments			
- Prepayments to unrelated parties		16.149	13.372
Deferred tax asset		1.367.276	1.288.525
Other non-current assets			
- Other non-current assets due from unrelated parties		102	92
Total assets		48.339.623	44.722.520

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

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021

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

		Current period	Prior period
		Unaudited	Audited
		30 September	31 December
	<i>Notes</i>	2021	2020
Liabilities			
Total current liabilities		12.385.780	14.228.270
Financial liabilities			
Financial liabilities from related parties			
- Bank loans	7, 8	476.458	869.753
Financial liabilities from unrelated parties			
- Bank loans	7	671.615	1.913.477
- Lease liabilities	7	30.442	18.809
Current portion of long term financial liabilities			
Current portion of long term financial liabilities from unrelated parties			
- Bank loans	7	3.004.903	2.801.972
- Lease liabilities	7	442.292	413.791
- Issued debt instruments	7	197.616	97.808
Trade payables			
- Trade payables to unrelated parties	9	3.998.217	5.293.521
Employee benefit obligations			
		200.233	199.768
Other payables			
- Other payables to related parties	8, 14	624.178	–
- Other payables to unrelated parties		1.371.979	993.710
Derivative financial liabilities			
- Derivative financial liabilities held for trading	15	11.687	320.186
- Derivative financial liabilities held for hedging	15	2.044	47.533
Contract liabilities			
- Contract liabilities from sale of goods and service contracts		568.410	520.841
Current tax liabilities			
		183.373	172.456
Current provisions			
- Current provisions for employee benefits	11	231.517	276.460
- Other current provisions	11	196.970	166.944
Other current liabilities			
- Other current liabilities to unrelated parties		173.846	121.241
Total non-current liabilities		20.686.714	18.456.874
Long term financial liabilities			
Long term financial liabilities from unrelated parties			
- Bank loans	7	7.593.157	6.775.327
- Lease liabilities	7	875.094	905.086
- Issued debt instruments	7	8.821.501	7.438.569
Other payables			
- Other payables to unrelated parties		44.995	43.656
Derivative financial liabilities			
- Derivative financial liabilities held for hedging	15	307.858	347.286
Contract liabilities			
- Contract liabilities from sale of goods and service contracts		898.859	872.077
Non-current provisions			
- Non-current provisions for employee benefits	11	1.161.949	1.214.789
- Other non-current provisions		10.096	8.506
Deferred tax liabilities			
		834.119	715.133
Other non-current liabilities			
- Other non-current liabilities to unrelated parties		139.086	136.445
Total liabilities		33.072.494	32.685.144

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021

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

	Current period	Prior period
	Unaudited	Audited
	30 September	31 December
<i>Notes</i>	2021	2020
Equity	15.267.129	12.037.376
Equity attributable to owners of parent		
Issued capital	3.500.000	3.500.000
Inflation adjustments on capital	(239.752)	(239.752)
Other accumulated comprehensive income / (loss) that will not be reclassified in profit or loss		
Gains / (losses) on revaluation and remeasurement		
- <i>Losses on remeasurements of defined benefit plans</i>	(846.771)	(782.420)
- <i>Increases on revaluation of property, plant and equipment</i>	5.233.733	4.766.342
Losses due to change in fair value of financial liability attributable to change in credit risk of liability	(97.781)	(88.747)
Effect of business combinations under common control	(1.320.942)	(1.320.942)
Other accumulated comprehensive income / (loss) that will be reclassified in profit or loss		
Losses on hedge		
- <i>Losses on cash flow hedges</i>	47.759	(320.668)
- <i>Losses on hedges of net investment in foreign operations</i>	(710.188)	(593.149)
Change in value of time value of options	(1.130.235)	(717.854)
Exchange differences on translation	912.445	721.066
Restricted reserves appropriated from profits	2.568.388	2.398.634
Prior years' profits	2.672.577	1.536.993
Current period net profit	4.677.896	3.177.873
Total liabilities and equity	48.339.623	44.722.520

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

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021

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

		Current Period	Current Period	Prior Period	Prior Period
		Unaudited	Unaudited	Unaudited	Unaudited
	Notes	1 January - 30	1 July - 30	1 January - 30	1 July - 30
		September 2021	September 2021	September 2020	September 2020
Revenue	5	24.408.534	8.640.236	20.638.406	7.366.332
Cost of sales (-)		(12.783.098)	(4.542.331)	(10.966.525)	(3.922.937)
Gross profit		11.625.436	4.097.905	9.671.881	3.443.395
General administrative expenses (-)		(1.935.435)	(661.511)	(1.662.577)	(543.088)
Marketing, sales and distribution expenses (-)		(2.544.723)	(898.548)	(2.185.139)	(749.876)
Research and development expenses (-)		(202.436)	(68.911)	(180.317)	(57.521)
Other operating income		383.462	132.453	254.702	98.901
Other operating expense (-)		(461.930)	(113.354)	(604.099)	(279.343)
Operating profit		6.864.374	2.488.034	5.294.451	1.912.468
Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9, net		(141.214)	(46.690)	(190.613)	(71.345)
Investment activity income		748.192	317.122	252.638	82.706
Investment activity expenses (-)		(6.158)	(2.153)	(4.200)	(1.888)
Profit before financing expense		7.465.194	2.756.313	5.352.276	1.921.941
Finance income		989.387	143.334	1.301.186	566.088
Finance costs (-)		(3.281.440)	(1.025.569)	(4.033.890)	(1.932.899)
Profit before tax	5	5.173.141	1.874.078	2.619.572	555.130
Tax expense					
- Current period tax expense		(436.328)	(193.255)	(196.812)	(77.957)
- Deferred tax expense		(58.917)	369.058	(349.282)	(44.868)
Profit for the year		4.677.896	2.049.881	2.073.478	432.305
Earnings per shares attributable to equity holders of the parent from (in full Kuruş)	4	1,3365	0,5857	0,5924	0,1235
Earnings per diluted shares attributable to equity holders of the parent from (in full Kuruş)	4	1,3365	0,5857	0,5924	0,1235

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

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**TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES INTERIM CONDENSED
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE NINE MONTHS
PERIOD ENDED 30 SEPTEMBER 2021**

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

	Current Period	Current Period	Prior Period	Prior Period
	Unaudited	Unaudited	Unaudited	Unaudited
Notes	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Profit for the period	4.677.896	2.049.881	2.073.478	432.305
Other comprehensive income				
Other comprehensive income that will not be reclassified to profit or loss	394.006	514.670	460.314	481.309
Gain from revaluation of property, plant and equipments, net	518.889	518.889	460.136	460.136
Losses on remeasurements of defined benefit plans	(79.995)	8.526	(57.560)	267
Change in fair value of financial liability attributable to change in credit risk of liability	(11.292)	50.573	115.065	82.627
Tax effect of other comprehensive income items not to be reclassified to profit or loss				
-Taxes relating to remeasurements of defined benefit plans	15.644	(1.705)	11.288	(55)
-Tax effect of revaluation of property, plant and equipment	(51.498)	(51.498)	(45.601)	(45.601)
-Taxes relating to change in fair value of financial liability attributable to change in credit risk of liability	2.258	(10.115)	(23.014)	(16.065)
Other comprehensive income that will be reclassified to profit or loss	30.386	220.325	(652.092)	(299.327)
Exchange differences on translation	191.379	12.457	297.192	176.232
Gains / (losses) on cash flow hedges	462.114	101.676	95.400	145.082
Gains / (losses) on hedges of net investments in foreign operations	(146.299)	3.711	(258.439)	(157.233)
Gains / (losses) on change in value of time value of options	(515.476)	156.028	(1.023.566)	(582.297)
Tax effect on other comprehensive income items to be reclassified to profit or loss				
-Taxes relating to cash flow hedges	(93.687)	(21.599)	(19.080)	(29.017)
-Taxes relating to losses on hedges of net investments in foreign operations	29.260	(742)	51.689	31.447
-Taxes relating to change in value of time value of options of other comprehensive (loss) / income	103.095	(31.206)	204.712	116.459
Other comprehensive (loss) / income	424.392	734.995	(191.778)	181.982
Total comprehensive income	5.102.288	2.784.876	1.881.700	614.287

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021

(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)		Total equity	
	Issued capital	Inflation adjustments on capital	Share based payments	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	Prior years' profit or losses	Current period net profit		
				Effect of business combinations under common control	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 2020	3.500.000	(239.752)	9.528	(1.320.942)	4.351.897	(692.610)	(132.819)	(403.597)	(438.864)	(321.854)	471.382	2.355.969	(102.268)	2.406.783	9.442.853
Transfers	-	-	-	-	-	-	-	-	-	-	-	42.665	2.364.118	(2.406.783)	-
Total comprehensive income	-	-	-	-	414.535	(46.272)	92.051	(206.750)	76.320	(818.854)	297.192	-	-	2.073.478	1.881.700
Profit for period	-	-	-	-	-	-	-	-	-	-	-	-	-	2.073.478	2.073.478
Other comprehensive income	-	-	-	-	414.535	(46.272)	92.051	(206.750)	76.320	(818.854)	297.192	-	-	-	(191.778)
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	(601.650)	-	(601.650)
Transfer of share based payments reserve to accumulated comprehensive income	-	-	(9.528)	-	-	-	-	-	-	-	-	-	9.528	-	-
Balance at 30 September 2020	3.500.000	(239.752)	-	(1.320.942)	4.766.432	(738.882)	(40.768)	(610.347)	(362.544)	(1.140.708)	768.574	2.398.634	1.669.728	2.073.478	10.722.903
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	-	-	-	-	467.391	(64.351)	(9.034)	(117.039)	368.427	(412.381)	191.379	-	-	4.677.896	5.102.288
Profit for period	-	-	-	-	-	-	-	-	-	-	-	-	-	4.677.896	4.677.896
Other comprehensive income	-	-	-	-	467.391	(64.351)	(9.034)	(117.039)	368.427	(412.381)	191.379	-	-	-	424.392
Dividends paid (Note 14)	-	-	-	-	-	-	-	-	-	-	-	-	-	(1.872.535)	(1.872.535)
Balance at 30 September 2021	3.500.000	(239.752)	-	(1.320.942)	5.233.733	(846.771)	(97.781)	(710.188)	47.759	(1.130.235)	912.445	2.568.388	2.672.577	4.677.896	15.267.129

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

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTH
PERIOD ENDED 30 SEPTEMBER 2021

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

	Current Period	Prior Period
	Unaudited	Unaudited
	1 January - 30	1 January - 30
<i>Notes</i>	September 2021	September 2020
Net profit for the period	4.677.896	2.073.478
Adjustments to reconcile profit:		
Adjustments for depreciation and amortisation expense	4.485.593	3.908.787
Adjustments for impairment loss / (reversal of impairment loss)		
- Adjustments for impairment loss of receivables	129.050	191.561
- Adjustments for impairment loss of property, plant and equipment	38.703	9.850
- Other adjustments for impairment loss (reversal of impairment loss)	12.164	(948)
Adjustments for provisions		
- Adjustments for (reversal of) provisions related with employee benefits	410.880	341.672
- Adjustments for (reversal of) lawsuit and/or penalty provisions	92.921	42.683
- Adjustments for (reversal of) other provisions	1.767	-
Adjustments for interest expenses and income		
- Adjustments for interest income	(203.891)	(176.376)
- Adjustments for interest expense	1.540.192	1.747.053
- Deferred financial expenses from credit purchases	(17.200)	38.105
Adjustments for unrealised foreign exchange losses	876.288	2.019.833
Adjustments for fair value losses / (gains)		
- Adjustments for fair value (gains) / losses on derivative financial instruments	274.888	(41.199)
- Adjustments for fair value losses / (gains) of issued financial instruments	14.277	(1.201)
Adjustments for losses / (gains) on disposal of non-current assets		
Adjustments for tax expense / (income)	495.245	546.094
Adjustments for losses / (gains) on disposal of non-current asset		
- Adjustments for gains arised from sale of tangible assets	(742.034)	(248.438)
Other adjustments for which cash effects are investing or financing cash flow	43.078	53.499
Other adjustments for non-cash items	16	(158.423)
Operating profit before working capital changes	11.967.650	10.346.030
Changes in working capital:		
Adjustments for (increase) / decrease in trade receivables		
- (Increase) / decrease in trade receivables from related parties	719	(4.948)
- (Increase) / decrease in trade receivables from unrelated parties	(1.088.494)	(1.176.727)
Adjustments for (increase) / decrease in inventories	(168.556)	(62.147)
Adjustments for increase / (decrease) in trade payable		
- Increase / (decrease) in trade payables to related parties	-	(87)
- Increase / (decrease) in trade payables to unrelated parties	(1.468.238)	(11.192)
Adjustments for (increase) / decrease in other receivables related with operations		
- (Increase) / decrease in other unrelated party receivables related with operations	(261.184)	(73.413)
Adjustments for increase / (decrease) in other operating payables related with operations		
- Increase / (decrease) in other payables related with operations to unrelated parties	384.145	80.366
Cash flow from operations:		
Interest received	124.438	91.137
Payments related with provisions for employee benefits	(592.553)	(366.680)
Payments related with other provisions	(75.124)	(117.382)
Income taxes paid	(396.516)	(208.158)
Other inflows of cash	16	43.028
Net cash generated from operating activities	8.458.630	8.539.827

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTH
PERIOD ENDED 30 SEPTEMBER 2021

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

	Current Period	Prior Period
	Unaudited	Unaudited
	1 January - 30	1 January - 30
<i>Notes</i>	September 2021	September 2020
Cash flows used in investing activities:		
Cash outflows arising from capital advance payments to associates and/or joint ventures	(7.555)	(3.264)
Cash outflows from purchase of additional shares of subsidiaries	–	(205.000)
Proceeds from sale of property, plant, equipment and intangible assets		
- <i>Proceeds from sales of property, plant and equipment</i>	769.952	273.434
Purchases of property, plant, equipment and intangible assets		
- <i>Purchase of property, plant and equipment</i>	(1.790.370)	(1.457.096)
- <i>Purchase of intangible assets</i>	(2.402.369)	(2.591.833)
Net cash used in investing activities	(3.430.342)	(3.983.759)
Cash flows from financing activities:		
Proceed from borrowings		
- <i>Proceeds from loans</i>	2.763.859	3.088.751
Repayments of borrowings		
- <i>Loan repayments</i>	(5.044.346)	(5.046.909)
Payments of lease liabilities, net	(715.557)	(594.811)
Cash inflows / (outflows) from derivative instruments, net	271.401	380.273
Dividends paid	(1.248.357)	(601.650)
Interest paid	(1.315.081)	(1.380.595)
Interest received	79.453	85.239
Other cash outflows, net	16 (68.078)	(53.499)
Net cash used in financing activities	(5.276.706)	(4.123.201)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES	(248.418)	432.867
IMPACT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS	101.540	147.073
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4.370.117	4.417.662
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6 4.223.239	4.997.602

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021

(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.

Transfer of the Group A shares, which constitutes 55% of the Company's capital, to the aforementioned SPV , LYY Telekomünikasyon A.Ş. (“LYY”) as of 21 December 2018 has been notified to the Company in accordance with Article 198 of the Turkish Commercial Code. Pursuant to Article 499 of the Turkish Commercial Code, LYY has been registered as a new shareholder in the Company’s shareholders' ledger.

As at 30 September 2021, the parent company and controlling party of the Company is LYY Telekomünikasyon A.Ş.

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.

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1. REPORTING ENTITY (CONTINUED)

The details of the Company’s subsidiaries as at 30 September 2021 and 31 December 2020 are as follows:

Name of Subsidiary	Place of incorporation and operation	Principal activity	Functional Currency	Effective ownership of the Company (%)	
				30 September 2021	31 December 2020
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”)	(*)	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
Tasfiye Halindeki Türk Telekomünikasyon Euro Gmbh. (“TT Euro”)(*)	Germany	Mobil service marketing	Euro	100	100
Türk Telekom International d.o.o.(*)	Croatia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International HK Limited (*)	Hong Kong	Internet/data services, infrastructure and wholesale voice services provider	H.K. Dollar	100	100
Net Ekran TV ve Medya Hiz. A.Ş. (“Net Ekran”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
TTES Elektrik Tedarik Satış A.Ş.(“TTES”)	Turkey	Electrical energy trading	Turkish Lira	100	100
TT 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
Tasfiye Halindeki 11818 Rehberlik ve Müşteri Hizmetleri A.Ş. (“11818”)	Turkey	Call center and customer relations	Turkish Lira	100	100
TT Satış ve Dağıtım Hizmetleri Anonim Şirketi	Turkey	Selling and Distribution Services	Turkish Lira	100	100
TT Ventures Proje Geliştirme A.Ş.	Turkey	Corporate Venture Capital	Turkish Lira	100	100
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

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

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1. REPORTING ENTITY (CONTINUED)

The details of the Company’s joint operation as at 30 September 2021 and 31 December 2020 are as follows:

Name of Joint Operation	Place of incorporation and operation	Principal activity	Functional Currency	Effective ownership of the Company (%)	
				30 September 2021	31 December 2020
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 30 September 2021 is 10.206 (31 December 2020: 10.063) and the number of personnel not subject to collective agreement as at 30 September 2021 is 24.413 (31 December 2020: 24.685). The total number of personnel as at 30 September 2021 and 31 December 2020 are 34.619 and 34.748, respectively.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation of the interim condensed consolidated financial statements

a) Statement of compliance with TFRS

The accompanying interim condensed 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 interim condensed 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.

In accordance with the TAS, the entities are allowed to prepare a complete or condensed set of interim financial statements in accordance with TAS 34, “Interim Financial Reporting”. In this respect, the Group preferred to present its interim condensed consolidated financial statements as of 30 September, 2021. The Group’s interim condensed consolidated financial statement does not include all disclosures and notes that should be included at year-end financial statements. Therefore, the interim condensed consolidated financial statements should be examined together with the 31 December 2020 year-end financial statements.

Approval of the financial statements:

The interim condensed consolidated financial statements are approved by the Company’s Board of Directors on 2 November 2021.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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

b) Correction of financial statements during the hyperinflationary periods

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

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.

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.

Additional paragraph for convenience translation to English:

The accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying consolidated financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) with respect to the application of inflation accounting, classification of some income statement items and also for certain disclosures requirement of the POA.

e) Significant accounting assessments, estimates and assumptions

In order to prepare financial statements in accordance with TFRS, certain assumptions affecting notes to the financial statements and critical accounting estimations related to assets, liabilities, contingent assets and contingent liabilities are required to be used. Although these estimations are made upon the best afford of the management by interpreting the cyclical circumstances, actual results may differ from the forecasts. Issues that are complex and needs further interpretation, which might have a critical impact on financial statements. There is no change in judgments and critical accounting estimates compared to prior year used in interim condensed consolidated financial statements as 30 September 2021.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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

e) Significant accounting assessments, estimates and assumptions (continued)

Determination of fair values

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

i) Trade and other receivables

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

ii) Forward contracts and interest rate swaps

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. Fair value of the lands was determined using the market comparable method. The valuations are based on prices of transactions for lands of similar nature and location.

vi) Taxes

In Turkey, the corporate tax rate is 20%. 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. Corporate tax rate after 2022 expected to be 20%.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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

e) Significant accounting assessments, estimates and assumptions (continued)

vi) Taxes (continued)

As of the nine month period ended 30 September, 2021, corporate tax provisions have been calculated and accrued at 25%.

Deferred tax charge is calculated in accordance with the enacted tax laws. The accounting policies used by the Group in calculating deferred tax are the same as those used in the audited consolidated financial statements as of 31 December 2020, except for the use of the corporate tax rate enacted in the nine month interim period ended 30 September 2021.

2.2 Summary of significant accounting policies

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 30 September, 2021 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2021. 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 2021 are as follows:

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

In December 2020, the IASB issued Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR), amending the followings:

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

The practical expedient is required for entities applying IFRS 4 Insurance Contracts that are using the exemption from IFRS 9 Financial Instruments (and, therefore, apply IAS 39 Financial Instruments: Classification and Measurement) and for IFRS 16 Leases, to lease modifications required by IBOR reform.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of 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 2021 are as follows: (continued)

Relief from discontinuing hedging relationships

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.
- For the IAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.
- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.
- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

Separately identifiable risk components

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Additional disclosures

Amendments need additional IFRS 7 Financial Instruments disclosures such as; How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and if IBOR reform has given rise to changes in the entity’s risk management strategy, a description of these changes.

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

The new standards, amendments and interpretations (continued)

- i) The new standards, amendments and interpretations which are effective as at 1 January 2021 are as follows: (continued)**

Amendments to IFRS 16 - Covid-19-Related Rent Concessions and Covid-19-Related Rent Concessions beyond 30 June 2021

In June 2020, the IASB amended IFRS 16 to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic (2020 amendment). The 2020 amendment does not apply to lessors. In 7 April 2021, the Board amended IFRS 16 to extend the availability of the practical expedient by one year (2021 amendment). The practical expedient in the 2021 amendment applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

The Group and will not have an impact on the financial position or performance of the 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 IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In December 2017, the IASB 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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of 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 IFRS 3 – Reference to the Conceptual Framework

In July 2020, the IASB issued amendments to IFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the IASB’s Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of IFRS 3. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to IFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied retrospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS standards (March 2018).

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to IAS 16 – Proceeds before intended use

In July 2020, the IASB issued amendments to IAS 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 issued to IAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied prospectively 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.

There is no transition relief for the first time adopters.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

The new standards, amendments and interpretations (continued)

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

Amendments to IAS 37 – Onerous contracts – Costs of Fulfilling a Contract

In July 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments issued to IAS 37 which are effective for periods beginning on or after 1 January 2022, to 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 retrospectively 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). Earlier application is permitted and must be disclosed.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

IFRS 17 - The new Standard for insurance contracts

In February 2019, the IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 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 the Group and will not have an impact on the financial position or performance of the Group.

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

On January 15, 2021, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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(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 Summary of 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 IAS 8 - Definition of Accounting Estimates

In August 2021, the 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, they clarify how entities use measurement techniques and inputs to develop accounting estimates. 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.

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

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

In August 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments issued to IAS 1 are effective for annual periods beginning on or after 1 January 2023. In the absence of a definition of the term ‘significant’ in IFRS, the Board decided to replace it with ‘material’ in the context of disclosing accounting policy information. ‘Material’ is a defined term in IFRS and is widely understood by the users of financial statements, according to the Board. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added.

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of 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 IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In August 2021, the 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 Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Annual Improvements – 2018–2020 Cycle

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

- IFRS 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.
- IFRS 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.
- IAS 41 Agriculture – Taxation in fair value measurements: The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of IAS 41.

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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3. SEASONAL CHANGES IN THE OPERATIONS

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

4. EARNINGS PER SHARE

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Weighted average number of ordinary shares outstanding during the year	350.000.000.000	350.000.000.000	350.000.000.000	350.000.000.000
Net profit for the period attributable to equity holders of the Company	4.677.896	2.049.881	2.073.478	432.305
Basic and earnings per share (in full kuruş)	1,3365	0,5857	0,5924	0,1235

5. 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 TTMobil. Group management assesses segment performance over earnings before interest, tax, depreciation and amortization (“Adjusted EBITDA”). Adjusted EBITDA is calculated by adjusting the operating income by i) adding income/expense from investing activities, depreciation, amortization and impairment expenses and ii) deducting exchange gains/losses, interest and rediscount income/ expenses on current accounts presented in other operating income and expense. Group management uses adjusted EBITDA as it is comparable with other companies in the sector. As Group management does not monitor Group’s performance over geographical segments, geographical segment reporting is not presented. The segment results and balance sheet items are presented below:

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5. SEGMENT REPORTING (CONTINUED)

	Fixed line		Mobile		Intra-group eliminations and consolidated adjustments		Consolidated	
	1 January - 30 September 2021	1 January - 30 September 2020	1 January - 30 September 2021	1 January - 30 September 2020	1 January - 30 September 2021	1 January - 30 September 2020	1 January - 30 September 2021	1 January - 30 September 2020
Revenue	17.914.372	14.874.066	8.445.878	7.287.676	(1.951.716)	(1.523.336)	24.408.534	20.638.406
Contributive revenue (*)	15.997.927	13.386.094	8.410.607	7.252.312	–	–	24.408.534	20.638.406
EBITDA	9.610.471	7.600.932	2.510.269	2.093.539	(6.847)	(3.493)	12.113.893	9.690.978
Contributive adjusted EBITDA (**)	8.404.039	6.559.802	3.709.854	3.131.176	–	–	12.113.893	9.690.978
Capital expenditure (***)	3.279.466	2.656.309	1.044.786	1.302.730	(6.238)	(4.755)	4.318.014	3.954.284

	Fixed line		Mobile		Intra-group eliminations and consolidated adjustments		Consolidated	
	1 July - 30 September 2021	1 July - 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Revenue	6.250.583	5.312.156	3.047.568	2.596.652	(657.915)	(542.476)	8.640.236	7.366.332
Contribution to the consolidated revenue (*)	5.608.029	4.779.298	3.032.207	2.587.034	–	–	8.640.236	7.366.332
EBITDA	3.344.060	2.717.899	927.408	763.386	17.510	(4.409)	4.288.978	3.476.876
Contribution to the consolidated EBITDA (**)	2.995.075	2.346.342	1.293.903	1.130.534	–	–	4.288.978	3.476.876
Capital expenditure (***)	1.190.694	1.134.873	470.050	690.467	(2.730)	(3.676)	1.658.014	1.821.664

(*) “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 162.167 (30 September 2020: TL 158.423) amounted profit margin which is capitalized on intangible assets that are accounted within the scope of TFRS Interpretation 12.

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5. SEGMENT REPORTING (CONTINUED)

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Fixed line contributive EBITDA	8.404.039	2.995.075	6.559.802	2.346.342
Mobile contributive EBITDA	3.709.854	1.293.903	3.131.176	1.130.534
EBITDA	12.113.893	4.288.978	9.690.978	3.476.876
Foreign exchange gains, interest income, discount income on current accounts presented in other operating income	162.056	56.572	112.265	50.083
Foreign exchange losses, interest income, discount income on current accounts presented in other operating expense (-)	(286.459)	(36.791)	(532.330)	(262.416)
Financial income	989.387	143.334	1.301.186	566.088
Financial expense (-)	(3.281.440)	(1.025.569)	(4.033.890)	(1.932.899)
Depreciation, amortisation and impairment	(4.524.296)	(1.552.446)	(3.918.637)	(1.342.602)
Consolidated profit before tax	5.173.141	1.874.078	2.619.572	555.130

30 September 2021	Fixed Line	Mobile	Eliminations	Consolidated
Total segment assets	36.753.677	12.259.882	(673.936)	48.339.623
Total segment liabilities	(29.702.167)	(4.044.263)	673.936	(33.072.494)

31 December 2020	Fixed Line	Mobile	Eliminations	Consolidated
Total segment assets	33.734.650	12.019.457	(1.031.587)	44.722.520
Total segment liabilities	(29.152.082)	(4.564.649)	1.031.587	(32.685.144)

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6. CASH AND CASH EQUIVALENTS

	30 September 2021	31 December 2020
Cash on hand	815	301
Cash at banks– demand deposit	822.962	747.659
Cash at banks– time deposit	4.004.929	4.259.967
	4.828.706	5.007.927

As of 30 September 2021, time deposits are all short-term, maturing within one month and denominated in both foreign currencies and TL. The interest rates are between 5,50% and 19,10% for TL deposits, between 0,25% and 3,30% for USD deposits and between 0,30% and 2,90% for EUR deposits (31 December 2020: for TL deposits between 5,50% and 18,75%, for USD deposits between 0,05% and 3,30%, for EUR deposits between 0,85% and 2,90%).

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

	30 September 2021	30 September 2020
Cash and cash equivalents	4.828.706	5.482.982
Less: restricted amounts		
- Collection protocols and ATM collection	(421.161)	(348.379)
- Other	(184.306)	(137.001)
Unrestricted cash	4.223.239	4.997.602

As of 30 September 2021, demand deposits amounting to TL 421.161 is restricted due to collection protocols signed with banks for receipts from the subscribers, under which proceeds are made available to the Group a certain number of days after the cash is collected. As of 30 September 2021, Other restricted amounts consist of blocked deposits related to Group’s derivative financial instruments.

As of 30 September 2021, the Group has bank loans amounting to USD 90.000 having maturity date on 30 March 2022 and USD 27.000 becomes available between 30 March 2022 and 30 March 2023, which have been committed to banks and have not been utilized yet.

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7. FINANCIAL LIABILITIES

Bank borrowings

	30 September 2021			31 December 2020		
	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	15,84	717.269	717.269	9,76	2.631.145	2.631.145
EUR bank borrowings with fixed interest rates	1,45	41.000	422.854	–	–	–
Unsecured Yuan bank borrowings with variable interest rates	–	–	–	4,27	43.986	49.185
Interest accruals:						
Unsecured TL bank loans with fixed interest rates		6.980	6.980		102.016	102.016
EUR bank loans with fixed interest rates		94	970		–	–
Unsecured Yuan bank borrowings with variable interest rates		–	–		790	884
Short-term bank loans			1.148.073			2.783.230
Short-term portion of long-term bank loans:						
Unsecured USD bank loans with variable interest rates(*)	2,14	215.911	1.909.347	2,22	255.884	1.878.316
Unsecured EUR bank loans with variable interest rates (**)	0,90	100.672	1.038.281	0,89	99.624	897.406
Interest accruals of long-term bank loans:						
Unsecured USD bank loans with variable interest rates (*)		4.729	41.817		3.048	22.376
Unsecured EUR bank loans with variable interest rates (**)		1.499	15.458		430	3.874
Current portion of long-term bank loans			3.004.903			2.801.972
Total short-term bank loans			4.152.976			5.585.202
Long-term bank loans:						
Unsecured USD bank loans with variable interest rates (*)	2,14	497.729	4.401.570	2,22	508.061	3.729.425
Unsecured EUR bank loans with variable interest rates (**)	0,90	309.457	3.191.587	0,89	338.137	3.045.902
Total long-term bank loans			7.593.157			6.775.327
Total bank loans			11.746.133			12.360.529

(*) As at 30 September 2021, interest rate varies between Libor + 0,54% and 2,85% (31 December 2020: Libor + 0,54% and 2,85%).

(**) As at 30 September 2021, interest rate varies between Euribor + 0,25% and 2,00% (31 December 2020: Euribor + 0,25% and 2,00%).

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7. FINANCIAL LIABILITIES (CONTINUED)

Bank borrowings (continued)

The contractual maturities of bank borrowings in equivalent of TL are as follows:

	30 September 2021					Total	31 December 2020					Total
	Up to 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	More than 5 years		Up to 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	More than 5 years	
Unsecured TL bank borrowings with fixed interest rates	724.249	–	–	–	–	724.249	1.307.745	1.425.416	–	–	–	2.733.161
Unsecured USD bank borrowings with variable interest rates	496.468	1.454.696	1.573.540	2.648.753	179.277	6.352.734	805.564	1.095.128	2.088.376	1.616.581	24.468	5.630.117
EUR bank borrowings with fixed interest rates	970	422.854	–	–	–	423.824	–	–	–	–	–	–
Unsecured EUR bank borrowings with variable interest rates	508.999	544.740	877.181	1.983.275	331.131	4.245.326	36.104	865.176	829.850	1.937.276	278.776	3.947.182
Unsecured Yuan bank borrowings with variable interest rates	–	–	–	–	–	–	850	49.219	–	–	–	50.069
	1.730.686	2.422.290	2.450.721	4.632.028	510.408	11.746.133	2.150.263	3.434.939	2.918.226	3.553.857	303.244	12.360.529

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7. FINANCIAL LIABILITIES (CONTINUED)

Issued debt instruments

	30 September 2021			31 December 2020		
	Weighted average nominal interest rate (%)	Original amount	TL equivalent	Weighted average nominal interest rate (%)	Original amount	TL equivalent
Short-term portion of long-term issued debt instruments:						
TL issued debt instruments with variable interest rates	20,07	150.000	150.000	-	-	-
Interest accruals of short-term portion of long-term issued debt instruments:						
TL issued debt instruments with variable interest rates		1.910	1.910		1.308	1.308
USD issued debt instruments with fixed interest rates		5.168	45.706		13.146	96.500
Short-term issued debt instruments			197.616			97.808
Long-term issued debt instruments:						
TL issued debt instruments with variable interest rates		-	-	17,44	149.711	149.711
USD issued debt instruments with fixed interest rates	5,88	997.535	8.821.501	5,88	992.965	7.288.858
Long-term issued debt instruments			8.821.501			7.438.569
Total issued debt instruments			9.019.117			7.536.377

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

The sales 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 December 14th, 2020. The issuance was advised by Ak Yatırım Menkul Değerler A.Ş.

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

	30 September 2021					31 December 2020				
	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	1.910	150.000	-	-	151.910	1.308	-	149.711	-	151.019
USD issued debt instruments with fixed interest rates	-	45.706	8.821.501	-	8.867.207	96.500	-	7.288.858	-	7.385.358
	1.910	195.706	8.821.501	-	9.019.117	97.808	-	7.438.569	-	7.536.377

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7. FINANCIAL LIABILITIES (CONTINUED)

Lease liabilities

As at 30 September 2021, obligation under leases detail are as follows:

	Currency	Interest rate type	30 September 2021		31 December 2020	
			Nominal interest rate	Carrying amount	Nominal interest rate	Carrying amount
Lease liabilities	TL	Fixed	9,0% - 20,0%	1.203.640	9,0% - 20,0%	1.223.002
Lease liabilities	USD	Fixed	3,0% - 7,0%	52.280	4,0% - 7,0%	37.198
Lease liabilities	EUR	Fixed	2,5% - 4,5%	89.858	2,5% - 4,5%	75.220
Lease liabilities	Other	Fixed	3,3%	2.050	3,3%	2.266
				1.347.828		1.337.686

8. DUE FROM AND DUE TO RELATED PARTIES

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

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

Details of balances and transactions between the Group and other related parties as at 30 September 2021 and 31 December 2020 are disclosed below:

	30 September 2021	31 December 2020
Due from related parties (Trade receivables-short term)		
Akbank T.A.Ş.	8.526	6.240
Türkiye Garanti Bankası A.Ş.	3.377	6.727
Türkiye İş Bankası A.Ş.	2.712	2.367
	14.615	15.334

	30 September 2021	31 December 2020
Other payables due to related parties		
Dividend payables to shareholders (*) (Note 14)	624.178	—
	624.178	—

(*)The gross amount TL 1.872.535 of dividend debt to shareholders decided to be distributed by the Company’s Board of Directors in three equal payments as of 19 March 2021 and the remaining amount TL 624.178 of dividend to be distributed after the second payment on 1 July 2021.

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

Deposits held by related parties	30 September 2021	31 December 2020
Türkiye İş Bankası A.Ş.		
Time Deposit	–	1.993
Demand Deposit	168.104	200.296
	168.104	202.289
Akbank T.A.Ş.		
Time Deposit	83.750	60.150
Demand Deposit	104.371	46.793
	188.121	106.943
Türkiye Garanti Bankası A.Ş.		
Demand Deposit	149.127	104.582
	149.127	104.582

Bank loans from related parties	30 September 2021	31 December 2020
Türkiye Garanti Bankası A.Ş.	260.410	264.944
Akbank T.A.Ş.	216.048	–
Türkiye İş Bankası A.Ş.	–	604.809
	476.458	869.753

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 30 September 2021, unpaid portion of Treasury Share, universal service fund and ICTA share are recorded under other short term payables and these expenses are accounted in cost of sales account.

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

Transactions with related parties:

	1 January - 30 September 2021	1 January - 30 September 2020
Interest income from related parties		
Akbank T.A.Ş.	1.664	6.721
Türkiye Garanti Bankası A.Ş.	73	70
Türkiye İş Bankası A.Ş.	–	781
	1.737	7.572
Interest expense from related parties		
Türkiye Garanti Bankası A.Ş.	19.417	16.216
Türkiye İş Bankası A.Ş.	19.308	46.643
Akbank T.A.Ş.	17.142	–
	55.867	62.859
Other income from related parties		
Akbank T.A.Ş.	64.982	63.391
Türkiye Garanti Bankası A.Ş.	36.096	41.032
Türkiye İş Bankası A.Ş.	11.924	20.039
	113.002	124.462

Compensation of key management personnel

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

	1 January - 30 September 2021	1 January - 30 September 2021
Short-term benefits	79.335	77.732
Long-term benefits	1.953	1.648
	81.288	79.380

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9. TRADE RECEIVABLES FROM AND PAYABLES TO UNRELATED PARTIES

Trade receivables

	30 September 2021	31 December 2020
Short-term		
Trade receivables	9.713.780	8.741.290
Contract assets	1.051.039	902.613
Other trade receivables	402.893	297.542
Allowance for doubtful receivables (-)	(3.881.047)	(3.754.151)
Total short-term trade receivables	7.286.665	6.187.294
Long-term		
Trade receivables	181.921	281.442
Total long-term trade receivables	181.921	281.442

Trade receivables generally have a maturity term of 60 days on average (31 December 2020: 60 days).

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

	1 January - 30 September 2021	1 January - 31 December 2020
At January 1	(3.754.151)	(3.490.624)
Provision for the year, net	(124.125)	(187.177)
Change in currency translation differences	(2.771)	(3.986)
At 30 September	(3.881.047)	(3.681.787)

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 227.718.

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

Trade payables

	30 September 2021	31 December 2020
Short-term		
Trade payables	3.054.084	4.841.056
Expense accruals	944.133	452.465
Total short-term trade payables	3.998.217	5.293.521

The average maturity term of trade payables is between 30 and 150 days (31 December 2020: 30 and 150 days).

As of 30 September 2021, short term trade payables consists of payables within scope of supplier finance that amounting TL 488.926 (31 December 2020: TL 1.088.089).

10. TANGIBLE AND INTANGIBLE ASSETS

The amount of tangible and intangible assets purchased during the nine months period ended 30 September 2021 is TL 4.318.014 (30 September 2020: 3.954.284).

Net book value of tangible and intangible assets sold during the nine months period ended 30 September 2021 amounted to TL 27.918 (30 September 2020: TL 24.996).

As at 30 September 2021, net increase in carrying amount of lands amounting TL 518.889 which is valued by real estate valuation companies licensed by CMB is recognized in other comprehensive income. Valuation companies that performed the valuations are: Akademi Gayrimenkul Değerleme ve Danışmanlık A.Ş., Atak Gayrimenkul Değerleme A.Ş., Bilgi Gayrimenkul Değerleme A.Ş., DEGA 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.

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11. PROVISIONS

Other current provisions

The movement of other current provisions is as follows:

	30 September 2021	31 December 2020
Litigation, ICTA penalty and customer return provisions	138.565	120.702
Provision for expected credit losses on loan commitments (*)	58.405	46.242
	196.970	166.944

(*) 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.

Current provisions for employee benefits

	30 September 2021	31 December 2020
Personnel bonus provision	231.517	276.460
	231.517	276.460

Non-current provisions for employee benefits

	30 September 2021	31 December 2020
Defined benefit obligation (**)	969.131	1.062.589
Unused vacation provisions	192.818	152.200
	1.161.949	1.214.789

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

The retirement pay liability as at 30 September 2021 is subject to a ceiling of full TL 8.284,51 (31 December 2020: full TL 7.117,17) per monthly salary for each service year.

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12. COMMITMENTS AND CONTINGENCIES

Guarantees received and given by the Group are summarized below:

		30 September 2021		31 December 2020	
		Original currency	TL	Original currency	TL
Guarantees received	USD	122.359	1.082.058	130.434	957.454
	TL	1.449.015	1.449.015	1.129.576	1.129.576
	EUR	25.378	261.736	23.518	211.852
	Sterlin	4	45	–	–
		2.792.854		2.298.882	
Guarantees given (*)	USD	167.461	1.480.911	168.434	1.236.391
	TL	808.690	808.690	706.306	706.306
	EUR	73.855	761.699	72.106	649.523
		3.051.300		2.592.220	

(*) Guarantees given amounting to USD 151.500 (31 December 2020: 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 2020: EUR 12.840) is related with the guarantee provided for 3G license and guarantees given amounting to EUR 57.281 (31 December 2020: EUR 57.281) is related with the guarantee provided for 4.5G license.

The Company’s guarantee, pledge and mortgage (GPM) position as at 30 September 2021 and 31 December 2020 is as follows:

	30 September 2021	31 December 2020
A. GPMs given on behalf of the Company’s legal personality	3.051.300	2.592.220
B. GPMs given in favor of subsidiaries included in full consolidation	1.248.917	1.155.067
C. GPMS given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	940.009	780.363
Total	5.240.226	4.527.650

Based on law 128/1 of Turkish Code of Obligations, the Group has given guarantee to distributors amounting to TL 940.009 for the financial obligation that would arise during the purchase of devices that will be sold as commitment sales by the Group (31 December 2020: TL 780.363). The guarantees has given to the banks TL 133.576, TL 198.556 Akbank T.A.Ş. and Türkiye Garanti Bankası A.Ş. respectively.

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12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Other commitments

The Group has purchase commitments for sponsorships, advertising and insurance services at the equivalent to TL 66.262 (31 December 2020: TL 7.300) as at 30 September 2021. 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 640.998, EUR 734.360 and TL 357.679, Pound 355 equivalent to TL 1.733.391 (31 December 2020: TL 919.484) as at 30 September 2021.

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 30 September 2021, customer returns amounted to TL 26.656 was transferred. As of 30 September 2021, TL 29.546 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

The Ministry of Customs and Trade conducted an audit at TT Mobil over the value added services that are provided to the subscribers and as a result of this inspection, an administrative fine was imposed against TT Mobil based on the allegation that distant sales rules were disregarded. Upon the administrative fine, the Company has decided to benefit from provisions on restructuring of public receivables of the Law No. 7326 notified against TT Mobil by the Istanbul Governorship Provincial Directorate of Commerce in 2018 and TL 53.471 provision provided in the condensed consolidated financial statements.

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 55.548 as at 30 September 2021 (31 December 2020: TL 61.171). For the rest of the cases, Group lawyers commented that basis of those cases are not realistic and should be appealed. Therefore, no provision has been provided for these cases.

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13. FINANCIAL RISK MANAGEMENT AND POLICIES

Market risk

Foreign currency risk

	30 September 2021				31 December 2020			
	Total TL Equivalent	USD	EUR	Other	Total TL Equivalent	USD	EUR	Other
1. Trade receivables	320.036	30.306	4.006	10.713	219.329	27.396	1.171	7.682
2a. Monetary financial assets (Cash and banks accounts included)	3.532.494	294.614	88.519	14.200	3.888.220	345.654	148.711	11.373
2b. Non-monetary financial assets	–	–	–	–	–	–	–	–
3. Other	4.408	150	299	–	1.069	–	119	–
4. Current assets (1+2+3)	3.856.938	325.070	92.824	24.913	4.108.618	373.050	150.001	19.055
5. Trade receivables	–	–	–	–	–	–	–	–
6a. Monetary financial assets	–	–	–	–	–	–	–	–
6b. Non-monetary financial assets	–	–	–	–	–	–	–	–
7. Other	–	–	–	–	–	–	–	–
8. Non-current assets (5+6+7)	–	–	–	–	–	–	–	–
9. Total assets (4+8)	3.856.938	325.070	92.824	24.913	4.108.618	373.050	150.001	19.055
10. Trade payables	2.047.175	166.012	54.161	20.489	3.076.131	258.060	127.459	33.696
11. Financial liabilities	3.524.057	229.427	144.408	5.808	2.976.888	274.313	101.153	52.111
12a. Monetary other liabilities	–	–	–	–	–	–	–	–
12b. Non-monetary other liabilities	–	–	–	–	–	–	–	–
13. Short-term liabilities (10+11+12)	5.571.232	395.439	198.569	26.297	6.053.019	532.373	228.612	85.807
14. Trade payables	–	–	–	–	–	–	–	–
15. Financial liabilities	16.507.601	1.497.557	315.464	10.713	14.138.721	1.503.858	343.623	4.329
16a. Monetary other liabilities	–	–	–	–	–	–	–	–
16b. Non-monetary other liabilities	–	–	–	–	–	–	–	–
17. Long-term liabilities (14+15+16)	16.507.601	1.497.557	315.464	10.713	14.138.721	1.503.858	343.623	4.329
18. Total liabilities (13+17)	22.078.833	1.892.996	514.033	37.010	20.191.740	2.036.231	572.235	90.136
19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b)	17.473.371	1.504.666	404.049	–	16.219.562	1.730.010	390.815	–
19a. Total asset amount hedged	–	–	–	–	–	–	–	–
19b. Total liability amount hedged	(17.473.371)	(1.504.666)	(404.049)	–	(16.219.562)	(1.730.010)	(390.815)	–
20. Loans defined as hedging instruments (*)	1.155.679	–	112.055	–	978.543	–	108.632	–
21. Net foreign currency asset/(liability) position (9-18+19+20)	407.155	(63.260)	94.895	(12.097)	1.114.983	66.829	77.213	(71.081)
22. Net asset/(liability) position of foreign currency monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(18.226.303)	(1.568.076)	(421.508)	(12.097)	(16.084.191)	(1.663.181)	(422.353)	(71.081)

(*) The Company utilized a loan amounting to EUR 112.055 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.

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13. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

*Market risk (continued)**Foreign currency risk (continued)*

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

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

30 September 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	(1.386.564)	1.386.564	–	–
2- Hedged portion of USD risk (-)	1.296.526	(1.300.330)	(576.360)	477.119
3- USD net effect (1+2)	(90.038)	86.234	(576.360)	477.119
Appreciation of EUR against TL by 10%:				
4- EUR net asset/liability	(434.416)	434.416	–	–
5- Hedged portion of EUR risk (-)	526.841	(410.432)	(177.963)	27.716
6- EUR net effect (4+5)	92.425	23.984	(177.963)	27.716
Appreciation of other foreign currencies against TL by 10%:				
7- Other foreign currency net asset/liability	(1.210)	1.210	–	–
8- Hedged portion of other foreign currency (-)	–	–	–	–
9- Other foreign currency net effect (7+8)	(1.210)	1.210	–	–
Total (3+6+9)	1.177	111.428	(754.323)	504.835
31 December 2020	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	(1.220.859)	1.220.859	–	–
2- Hedged portion of USD risk (-)	1.081.873	(951.038)	(323.629)	127.333
3- USD net effect (1+2)	(138.986)	269.821	(323.629)	127.333
Appreciation of EUR against TL by 10%:				
4- EUR net asset/liability	(380.345)	380.345	–	–
5- Hedged portion of EUR risk (-)	466.961	(454.125)	(182.307)	12.460
6- EUR net effect (4+5)	86.616	(73.780)	(182.307)	12.460
Appreciation of other foreign currencies against TL by 10%:				
7- Other foreign currency net asset/liability	(7.108)	7.108	–	–
8- Hedged portion of other foreign currency (-)	–	–	–	–
9- Other foreign currency net effect (7+8)	(7.108)	7.108	–	–
Total (3+6+9)	(59.478)	203.149	(505.936)	139.793

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13. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

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.

The table below summarizes the maturity profile of the Group’s financial liabilities at 30 September 2021 and 31 December 2020 based on contractual undiscounted payments (including interest payments not due yet).

Contract based maturities as at 30 September 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	20.765.250	23.196.780	1.915.822	3.102.925	17.644.100	533.933
Lease liabilities	1.347.828	1.709.612	250.698	367.627	955.620	135.667
Trade payables to unrelated parties	3.998.217	3.998.217	3.998.106	111	–	–
Other (*)	1.492.681	1.492.681	1.447.686	–	44.995	–
Other payables to related parties	624.178	624.178	624.178	–	–	–
Derivative financial liabilities	321.589	321.589	56.705	109.212	155.672	–

Contract based maturities as at 31 December 2020	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	19.896.906	22.176.476	2.331.279	3.933.936	15.565.130	346.131
Lease liabilities	1.337.686	1.710.422	248.187	337.490	1.001.846	122.899
Trade payables to unrelated parties	5.293.521	5.293.521	4.844.042	449.479	–	–
Other (*)	1.128.734	1.128.734	1.085.078	–	43.656	–
Derivative financial liabilities	715.005	715.005	210.941	298.335	205.729	–

(*) 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.

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13. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

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

The below table summarizes the carrying amounts and fair values of financial asset and liabilities in the Group’s consolidated financial statements.

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

	Carrying amount		Fair value	
	30 September 2021	31 December 2020	30 September 2021	31 December 2020
Financial assets				
Cash and cash equivalents	4.828.706	5.007.927	4.828.706	5.007.927
Trade and other receivables (including related parties)	7.627.107	6.585.291	7.627.107	6.585.291
Financial investments (*)	25.511	17.956	(*)	(*)
Derivative financial assets	2.222.159	1.240.177	2.222.159	1.240.177
Financial liabilities				
Bank borrowings	11.746.133	12.360.529	11.746.133	12.360.529
Issued debt instruments	9.019.117	7.536.377	9.424.528	7.952.273
Financial leasing liabilities	1.347.828	1.337.686	1.347.828	1.337.686
Trade payables and other liabilities (including related parties) (**)	6.115.076	6.422.255	6.115.076	6.422.255
Derivative financial liabilities	321.589	715.005	321.589	715.005

(*) Group’s share in financial investments is 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

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13. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

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

Fair value hierarchy table as at 30 September 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>					
Cross currency swaps	30 September 2021	2.179.651	–	2.179.651	–
Interest rate swaps	30 September 2021	30.054	–	30.054	–
Commodity derivative (Copper)	30 September 2021	12.454	–	12.454	–
Financial liabilities measured at fair value:					
Issued debt instruments	30 September 2021	4.451.723	4.451.723	–	–
<u>Derivative Financial Liabilities:</u>					
Interest rate swaps	30 September 2021	307.858	–	307.858	–
Cross currency swaps	30 September 2021	13.731	–	13.731	–
Other financial liabilities not measured at fair value					
Bank loans	30 September 2021	11.746.133	–	11.746.133	–
Issued debt instruments	30 September 2021	4.972.805	4.972.805	–	–

Fair value hierarchy table as at 31 December 2020 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>					
Cross currency swaps	31 December 2020	1.207.467	–	1.207.467	–
Interest rate swaps	31 December 2020	32.710	–	32.710	–
Financial liabilities measured at fair value:					
Issued debt instruments	31 December 2020	3.658.788	3.658.788	–	–
<u>Derivative Financial Liabilities:</u>					
Interest rate swaps	31 December 2020	347.286	–	347.286	–
Cross currency swaps	31 December 2020	361.100	–	361.100	–
Commodity derivative (Copper)	31 December 2020	6.619	–	6.619	–
Other financial liabilities not measured at fair value					
Bank loans	31 December 2020	12.360.529	–	12.360.529	–
Issued debt instruments	31 December 2020	4.293.485	4.293.485	–	–

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13. FINANCIAL RISK MANAGEMENT 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 2020.

14. PAID IN CAPITAL, RESERVES AND RETAINED EARNINGS

Company decisions taken by the Board of Directors on 19 March 2021 total gross of TL 1.872.535 is to be distributed as dividends in three equal payments, the decision was approved at the Ordinary General Assembly Meeting held on for the 2020 operating year on 19 March 2021 and the remaining amount TL 624.178 of dividend to be distributed after the second payment on 1 July 2021.

15. DERIVATIVE FINANCIAL INSTRUMENTS

Cash flow hedges and derivative financial instruments

Interest rate swaps

As of 30 September 2021 fair value of interest rate derivative transactions amounting to TL 307.858 has been recognized under long term derivative financial liabilities (31 December 2020: TL 347.286 long term derivative financial liabilities). Unrealized gain on these derivatives amounting to TL 40.650 (30 September 2020: TL 224.510 loss) is recognized in other comprehensive income. Unrealized loss on these derivatives’ time value amounting to TL 1.222 is recognized in statement of profit or loss.

Company	Notional Amount (USD)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 30 September 2021 (TL)
Türk Telekom	300.000	29 April - 20 May 2014	Pay fixed rates and receive floating rates between June 2016 - June 2024	(249.071)
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	(58.787)
				(307.858)

Company	Notional Amount (USD)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 December 2020 (TL)
Türk Telekom	300.000	29 April - 20 May 2014	Pay fixed rates and receive floating rates between June 2016 - June 2024	(274.959)
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	(72.327)
				(347.286)

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15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedges and derivative financial instruments (continued)

Cross currency swap transaction

As of 30 September 2021 fair value of participating cross currency swap transactions amounting to TL 2.093.096 has been recognized under short term derivative financial assets, TL 1.643 has been recognized under short term derivative financial liabilities. (31 December 2020: TL 40.914 short term derivative financial liabilities, TL 1.206.509 short term derivative financial assets).

Company	Notional Amount (USD)	Trade Date	Amendment Date	Terms	Fair Value Amount as at 30 September 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	765.104
Türk Telekom	50.000	17 December 2020		Pay TL and receive USD at February 2025	74.641
Türk Telekom	40.964	20 November 2019	4 June 2021	Pay TL and receive USD between January 2020 - October 2022	68.886
Türk Telekom	84.647	6 - 8 January 2020	17 - 26 November 2020	Pay TL and receive USD between April 2020 - October 2022	144.130
Türk Telekom	61.930	25 October 2018 - 18 July 2019	11 June 2021	Pay TL and receive USD between April 2019 - April 2025	98.034
Türk Telekom	14.031	22 - 23 July 2019		Pay TL and receive USD between October 2019 - October 2022	30.483
Türk Telekom	54.647	27 September 2019 - 30 September 2021		Pay TL and receive USD between March 2020 - September 2025	95.342
Türk Telekom	54.835	13 November 2018 - 19 July 2019	14 June 2021	Pay TL and receive USD between September 2019 - September 2025	85.287
Türk Telekom	100.000	27 - 28 September 2018		Pay TL and receive USD at July 2022	228.428
Türk Telekom	117.000	14 November 2018	11 - 21 June 2021	Pay TL and receive USD between October 2019 - April 2024	144.500
Türk Telekom	81.818 (*)	27 - 28 March 2018	12 November - 2 December 2020	Pay TL and receive EUR between December 2020 - December 2025	177.235
Türk Telekom	21.836 (*)	27 - 28 June 2019		Pay TL and receive EUR between September 2019 - September 2024	49.169
Türk Telekom	39.091 (*)	4 June - 1 August 2018	12 - 26 September 2018	Pay TL and receive EUR between November 2018 - November 2022	119.490
Türk Telekom	41.000 (*)	5 August 2021		Pay TL and receive EUR at August 2022	542
Türk Telekom	62.510 (*)	16 August 2021		Pay TL and receive EUR between September 2021 - March 2026	10.314
Türk Telekom	49.000 (*)	18 August 2021		Pay TL and receive EUR between October 2021 - December 2025	1.511
					2.093.096

(*) Nominal amount of indicated operations are Euro.

Company	Notional Amount (USD)	Trade Date	Amendment Date	Terms	Fair Value Amount as at 30 September 2021 (TL)
Türk Telekom	43.514	13 August 2021		Pay TL and receive EUR between October 2021 - December 2025	(1.643)
					(1.643)

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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 2020 (TL)
Türk Telekom	325.000	13 April 2016 - 15 December 2017	21 October - 10 November 2020	Pay TL and receive USD at June 2024	252.954
Türk Telekom	100.000	11 - 12 October 2018		Pay TL and receive USD at January 2021	126.799
Türk Telekom	50.000	11 October 2018		Pay TL and receive USD at April 2021	53.697
Türk Telekom	43.976	20 November 2019	17 - 26 November 2020	Pay TL and receive USD between January 2020 - October 2022	54.191
Türk Telekom	90.871	6 - 8 January 2020	2020	Pay TL and receive USD between April 2020 - October 2022	70.317
Türk Telekom	69.670	25 October 2018 - 18 July 2019		Pay TL and receive USD between April 2019 - April 2025	50.330
Türk Telekom	22.359	22 - 23 July 2019		Pay TL and receive USD between October 2019 - October 2022	28.557
Türk Telekom	58.367	27 - 30 September 2019		Pay TL and receive USD between March 2020 - September 2025	63.015
Türk Telekom	64.682	13 November 2018 - 19 July 2019		Pay TL and receive USD between September 2019 - September 2025	48.495
Türk Telekom	100.000	27 - 28 September 2018		Pay TL and receive USD at July 2022	83.696
Türk Telekom	124.500	14 November 2018		Pay TL and receive USD between October 2019 - April 2024	83.274
Türk Telekom	90.909 (*)	27 - 28 March 2018	12 November - 2 December 2020	Pay TL and receive EUR between December 2020 - December 2025	115.784
Türk Telekom	28.152 (*)	27 - 28 June 2019		Pay TL and receive EUR between September 2019 - September 2024	42.430
Türk Telekom	58.182 (*)	4 June - 1 August 2018	12 - 26 September 2018	Pay TL and receive EUR between November 2018 - November 2022	132.970
					1.206.509

(*) Nominal amount of indicated operations are Euro.

Company	Notional Amount (USD)	Trade Date	Amendment Date	Terms	Fair Value Amount as at 31 December 2020 (TL)
Türk Telekom	175.000	31 March 2016	11 December 2018	Pay TL and receive USD at June 2024	(16.366)
Türk Telekom	50.000	17 December 2020		Pay TL and receive USD at February 2025	(24.548)
					(40.914)

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15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedges and derivative financial instruments (continued)

Copper hedge transactions

As of 30 September 2021 fair value of participating cross currency swap transactions amounting to TL 12.454 has been recognized under short term derivative financial assets, (31 December 2020: TL 6.619 short term derivative financial liabilities.)

Company	Notinal Amount (Tonnes)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 30 September 2021 (TL)
Türk Telekom	3.400	7 June - 9 July 2021	Pay floating price and receive fixed price at January 2022	12.454
				12.454

Company	Notinal Amount (Tonnes)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 December 2020 (TL)
Türk Telekom	453	10 - 18 October 2019	Pay floating price and receive fixed price between November 2019 - February 2021	(6.619)
				(6.619)

Forwards

As of 30 September 2021, fair value of participating forward transactions amounting to TL 6.679 has been recognized under short term derivative financial assets, TL 401 has been recognized short term derivative financial liabilities.

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 30 September 2021 (TL)
Türk Telekom	20.030	2 August 2021	Pay TL and receive USD between February 2022 - January 2023	6.679
				6.679

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 30 September 2021 (TL)
Türk Telekom	3.400	12 July 2021	Pay TL and receive USD between October 2021 - January 2022	(401)
				(401)

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15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate derivative instruments which are not designated as hedge

As of 30 September 2021 fair value of the interest rate swap transactions which are not designated as hedge and amounting to TL 30.054 is recognized under long term derivative financial assets (31 December 2020: TL 32.710 long term derivative financial assets). Unrealized loss on these derivatives amounting to TL 2.656 recognized in profit or loss.

Company	Notional Amount (USD)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 30 September 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%)	30.054
				30.054

Company	Notional Amount (USD)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 December 2020 (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%)	32.710
				32.710

Cross Currency swaps instruments which are not designated as hedge

As of 30 September 2021, fair value of derivative transactions amounting to TL 11.687 is recognized under short term derivative financial liabilities (31 December 2020: TL 320.186 short term financial liabilities, TL 958 short term financial assets) and TL 79.876 is recognized under short term financial assets.

USD/EUR Cross Currency Swaps Instruments

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 30 September 2021 (TL)
TTINT Türkiye	33.333	16 June 2016	Pay EUR and receive USD between December 2016 and June 2026	(10.063)
				(10.063)

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 December 2021 (TL)
TTINT Türkiye	36.667	16 June 2016	Pay EUR and receive USD between December 2016 and June 2026	(29.812)
				(29.812)

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15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

Futures

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 30 September 2021 (TL)
Türk Telekom	84.500	20 August - 27 September 2021	Net TL settlement between October and November 2021 based on the difference between contract price and contract closing price	7.822
TT Mobil	126.400	20 August - 28 September 2021	Net TL settlement between October and November 2021 based on the difference between contract price and contract closing price	12.145
				19.967

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 December 2020 (TL)
Türk Telekom	150.000	19 October - 24 December 2020	Net TL settlement between January and February 2021 based on the difference between contract price and contract closing price	(62.824)
TT Mobil	50.000	27 November - 28 December 2020	Net TL settlement between January and February 2021 based on the difference between contract price and contract closing price	(8.584)
				(71.408)

Forwards

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 30 September 2021 (TL)
Türk Telekom	4.478	12 November 2020 - 12 July 2021	Pay TL and receive USD between November and December 2021	965
Türk Telekom	8.094 (*)	13 November - 23 November 2020	Pay TL and receive EUR between October and December 2021	437
				1.402

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 30 September 2021 (TL)
Türk Telekom	2.900	30 September 2021	Pay TL and receive USD at October 2021	(121)
Türk Telekom	11.685 (*)	12 November - 24 November 2020	Pay TL and receive EUR between October and December 2021	(963)
				(1.084)

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15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

Forwards (continued)

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 December 2020 (TL)
Türk Telekom	23.500 (*)	30 - 31 December 2020	Net TL settlement at February 2021 based on the difference between contract price and contract closing price	958
				958

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 December 2020 (TL)
Türk Telekom	121.240	3 - 22 December 2020	Net TL settlement at January 2021 based on the difference between contract price and contract closing price	(52.896)
Türk Telekom	97.678	27 October - 2 December 2020	Pay TL and receive USD between January and December 2021	(74.300)
Türk Telekom	53.860 (*)	2 November - 2 December 2020	Pay TL and receive EUR between January and December 2021	(32.931)
Türk Telekom	168.660 (*)	3 - 29 December 2020	Net TL settlement at January 2021 based on the difference between contract price and contract closing price	(58.839)
				(218.966)

(*) Nominal amount of indicated operations are Euro.

USD/EUR Foreign Currency Swap Instruments

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 30 September 2021 (TL)
Türk Telekom	175.000	3 - 30 September 2021	Pay TL and receive USD at November 2021	48.877
Türk Telekom	75.000 (*)	11 August - 2 September 2021	Pay TL and receive EUR at October 2021	9.630
				58.507

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.

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16. SUPPLEMENTARY CASH FLOW INFORMATION

Other explanations

“Other outflows of cash” in net cash used in operating activities amounting to TL 32.343 represents change in restricted cash. “Other inflows of cash, net” in net cash used in financial activities amounting to TL 68.078 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 162.167 represents change in TFRS Interpretation 12.

17. SUBSEQUENT EVENTS

None.