

2017 Annual Report

*Just dream it*



Türk Telekom 



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### Glossary

*Just dream it Turkey.  
As always, we shall do  
everything in our power to  
make dreams come true.*

Dreams have no boundaries or rules; they are independent of age or distance, status or position, present or future. Because Türk Telekom is here.

In 2017, we addressed Turkey with the slogan “Just Dream It”. We delivered everyone the technology they need to make their dreams come true, and will continue to do so.

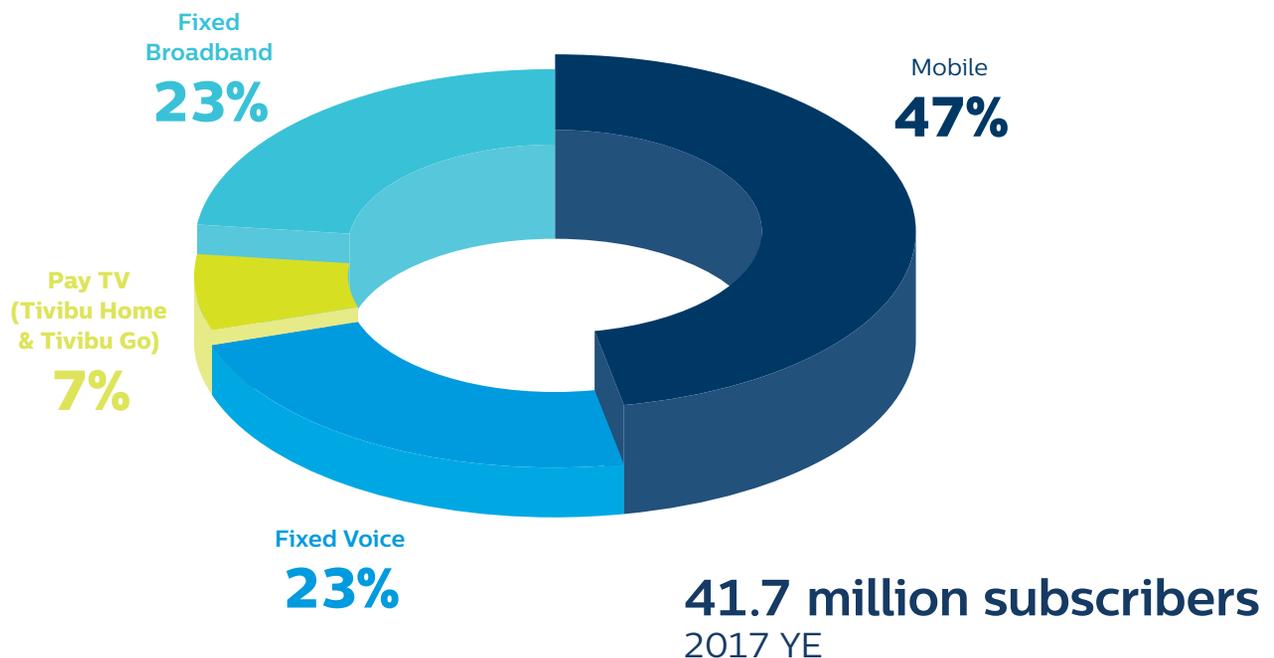
## Türk Telekom Group at a Glance

Türk Telekom Group Companies provide services in all 81 cities of Turkey with 34,502 employees with the vision of introducing new technologies to Turkey and accelerating Turkey's transformation into an information society.

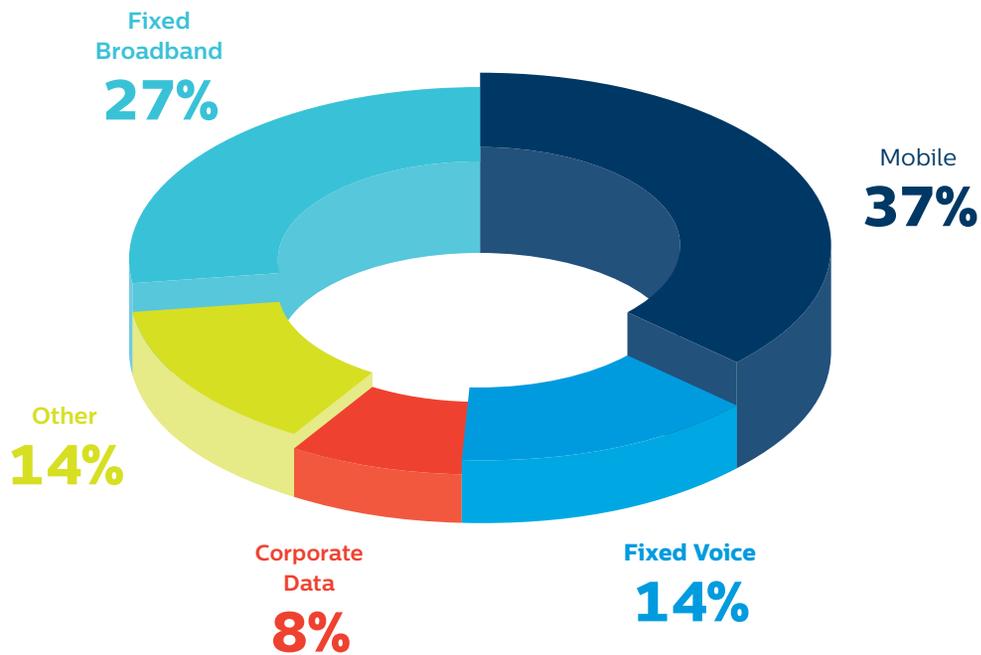
Türk Telekom, with 177 years of history, is the first integrated telecommunications operator in Turkey. In 2015, Türk Telekomünikasyon A.Ş. adopted a "customer-oriented" and integrated structure in order to respond to the rapidly changing communication and technology needs of customers in the most powerful and accurate way, while maintaining the legal entities of Avea İletişim Hizmetleri A.Ş. and TTNET A.Ş. intact and adhering to the rules and regulations to which they are subject. Having a wide service network and product range in the fields of individual and corporate services, Türk Telekom unified its mobile, internet, phone and TV products and services under the single "Türk Telekom" brand as of January 2016.

"Turkey's Multiplay Provider" Türk Telekom has 13.7 million fixed access lines, 9.7 million broadband and 19.6 million mobile subscribers as of December 31, 2017. Türk Telekom Group Companies provide services in all 81 cities of Turkey with 34,502 employees with the vision of introducing new technologies to Turkey and accelerating Turkey's transformation into an information society.

### Strongest position in multiplay offers



## Focusing on High Growth Areas



**TL 18.1 billion**  
Consolidated revenue  
breakdown in 2017

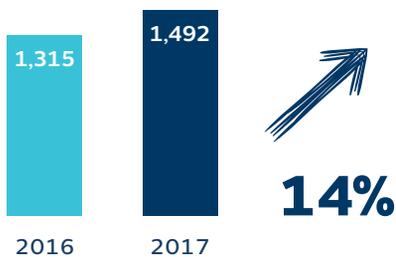
Fixed Broadband (TL Million)



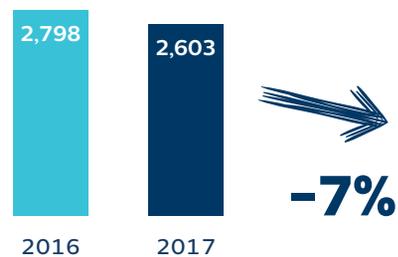
Mobile (TL Million)

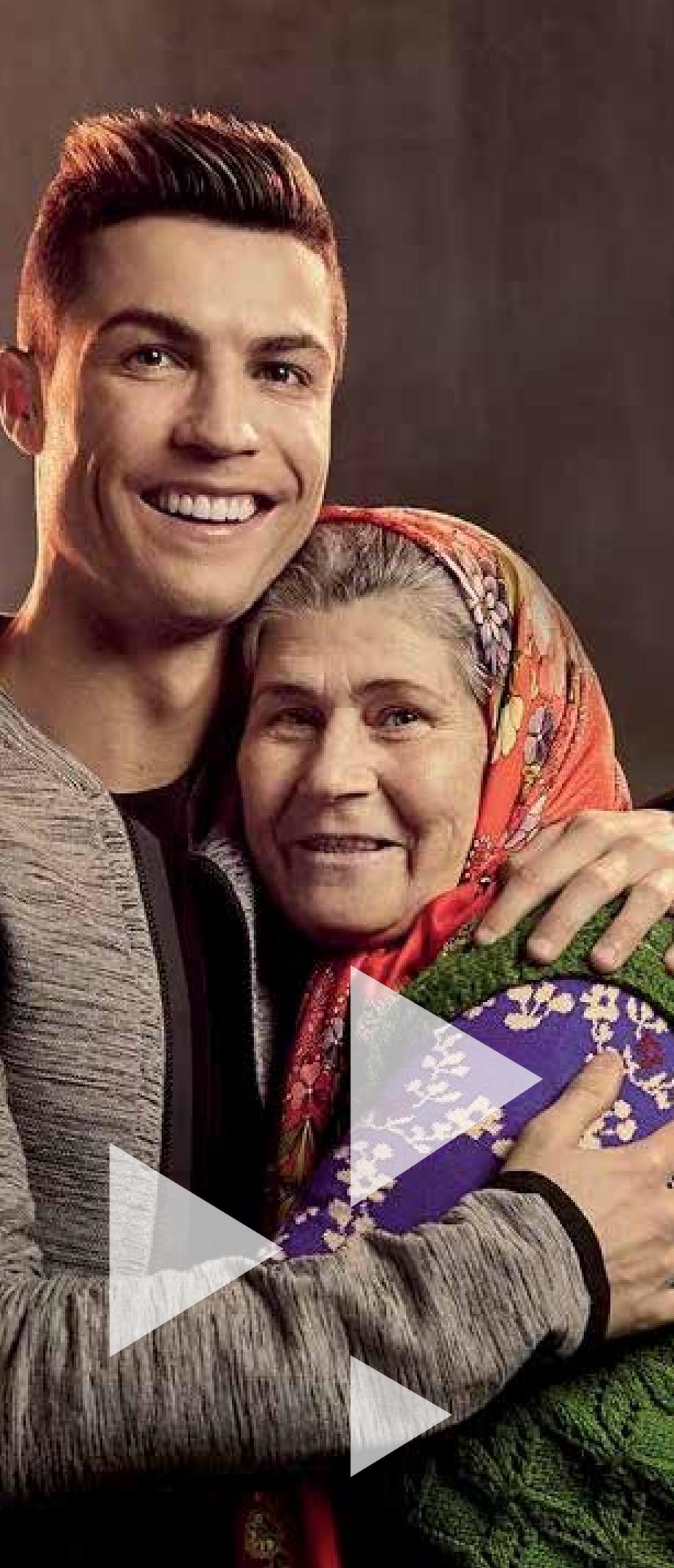


Corporate Data (TL Million)



Fixed Voice (TL Million)





# *Dreams know no boundaries...*

Ümmiye Koçak

Ümmiye Koçak was born in 1957 in the Çelemlü Village of Adana. Upon graduating from primary school, Koçak continued her personal development by reading books. After getting married, she set up a theatre company with other women from the village. She penned 15 plays until now. Koçak also scripted and directed a film. In 2017, she directed the Türk Telekom commercial featuring the global football star of Real Madrid, Cristiano Ronaldo.

*At Türk Telekom,  
we have never  
limited ourselves  
with any  
achievement.*

We performed above our targets and broke new records. We set yet another record in the annual increase of sales revenues.



## Türk Telekom Group at a Glance

Türk Telekom – which has a wide service network and rich range of products in the field of consumer and corporate services – brought its mobile, broadband, fixed voice and TV products and services together under “Türk Telekom” unified brand.

Türk Telekom, with 177 years of history, is the first integrated telecommunications operator in Turkey. In 2015, Türk Telekomünikasyon A.Ş. adopted a “customer-oriented” and integrated structure in order to respond to the rapidly changing communication and technology needs of customers in the most powerful and accurate way, while maintaining the legal entities of Avea İletişim Hizmetleri A.Ş. and TTNET A.Ş. intact and adhering to the rules and regulations to which they are subject. Having a wide service network and product range in the fields of individual and corporate services, Türk Telekom unified its mobile, internet, phone and TV products and services under the single “Türk Telekom” brand as of January 2016.

“Turkey’s Multiplay Provider” Türk Telekom has 13.7 million fixed access lines, 9.7 million broadband and 19.6 million mobile subscribers as of December 31, 2017. Türk Telekom Group Companies provide services in all 81 cities of Turkey with 34,502 employees with the vision of introducing new technologies to Turkey and accelerating Turkey’s transformation into an information society.

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

*As the “Multi play provider of Turkey,” Türk Telekom has 13.7 million fixed access lines, 9.7 million broadband and 19.6 million mobile subscribers as of December 31, 2017.*

# Vision and Values

## Our Vision

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



## Shared Values and Attitudes

### Customer Focus:

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

### Innovation:

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

### People Focus:

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

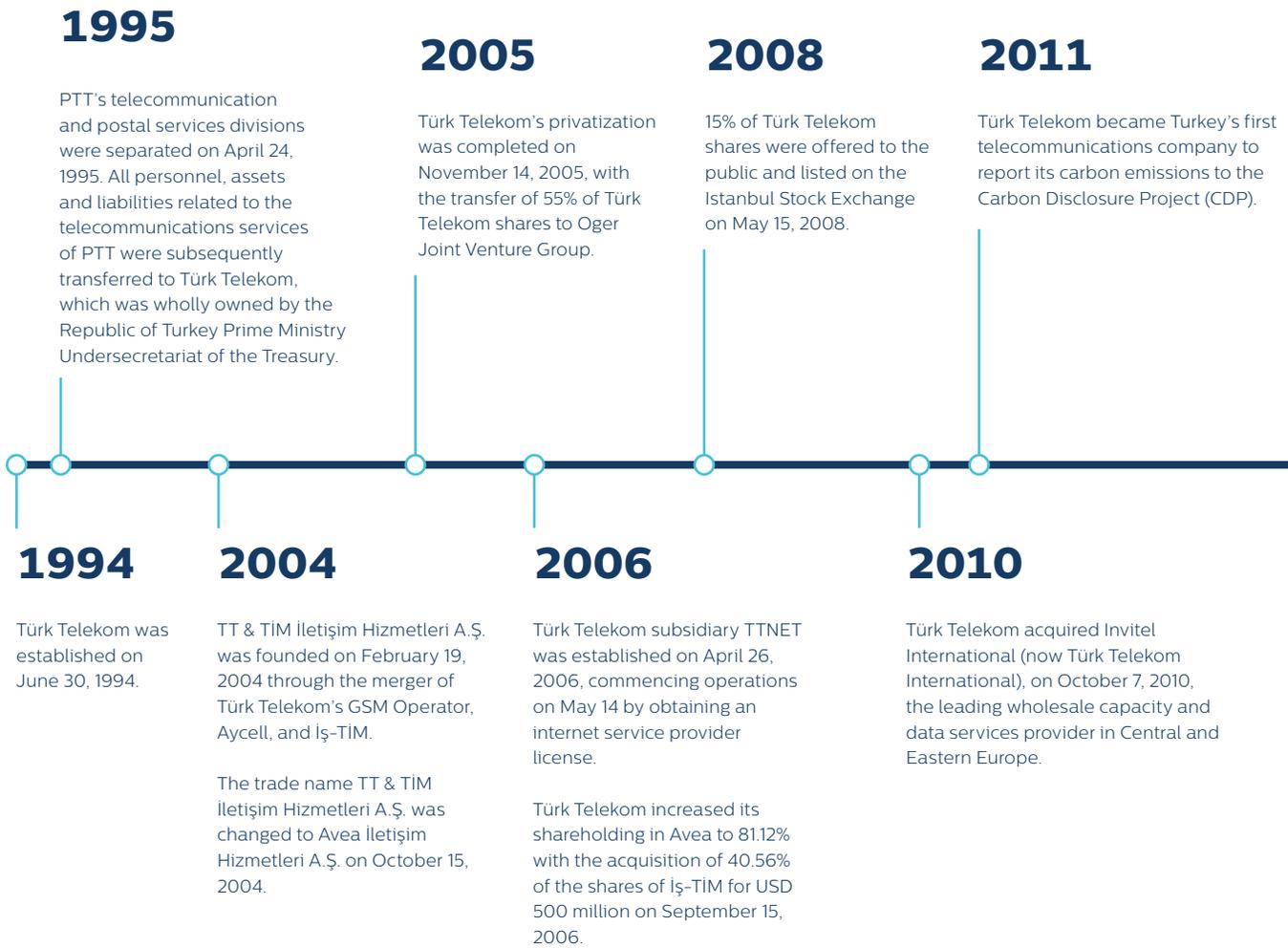
### Trust:

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

### Agility:

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

# History



## 2013

TTNET and Sobee, two wholly owned Türk Telekom subsidiaries, were merged with the transfer of Sobee's entire assets and business to TTNET.

Upon a resolution adopted by the Board of Directors, Türk Telekom announced the restructuring of its executive leadership by combining the roles of Group CEO and General Manager into a single CEO position.

## 2012

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

## 2014

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

International credit rating agency Fitch Ratings assigned "BBB-" (investment grade) with a stable outlook to Türk Telekom's long-term foreign and local currency issuer default ratings and assigned "BBB-" to senior unsecured rating; and affirmed the rating afterwards as part of its routine review in 2014. International credit rating agency Standard & Poor's (S&P) upgraded the corporate

credit rating of Türk Telekom from "BB+" to "BBB-" (investment grade), emphasizing that Türk Telekom had strengthened its liquidity position after a successful bond issue of USD 1 billion in June 2014.

TTNET A.Ş. purchased the Turkey media rights of UEFA Champions League and UEFA Europe League matches for three seasons beginning with the 2015-2016 season. It was announced that UEFA Champions League and UEFA Europe League football games would be broadcast via the Türk Telekom Group's TV broadcasting platform Tivibu. Pursuant to the contract signed with UEFA, an agreement was also reached with TRT, which became Türk Telekom's free-to-air partner.

## History

With an international move, Türk Telekom became a partner member of the ONF (Open Networking Foundation), a US-based open platform that includes global technology giants among its members.

## 2015

The Türk Telekom Group, the leading telecommunications and communication technology group in Turkey, celebrated its 175<sup>th</sup> anniversary with a spectacular reception held in Ankara with the attendance of President Recep Tayyip Erdoğan.

The transfer of the shares of Avea İletişim Hizmetleri A.Ş., which were held by the İş Bank Group, to Türk Telekomünikasyon A.Ş., was completed. With the share transfer, Türk Telekom became the sole owner of Avea İletişim Hizmetleri A.Ş.

After signing a C&MA (Construction and Maintenance Agreement) Türk Telekom International joined the SEA-ME-WE-5 Consortium as a full member. In order to provide the most innovative, reliable and comprehensive services with the fastest and most robust infrastructure in Turkey and the surrounding region, Türk Telekom also supported the powerful terrestrial network connecting the three continents with the submarine.

Avea İletişim Hizmetleri A.Ş., joined the IMT Service and Infrastructure Authorization Tender (publicly known as 4.5G/LTE Authorization Tender) held by the Information and Communication Technologies Authority (ICTA) on August 26, 2015.

As a result of this tender Avea,

- In the 800 MHz frequency, owns the cleanest and the closest package to the 700 MHz frequency, which is an important element for 5G.
- In the 900 MHz frequency, moved out of a disadvantageous position. In the 1,800 MHz frequency, became the operator with the largest capacity, which is the most important frequency for LTE
- Holds 175 MHz of total bandwidth.
- Has the highest MHz per user.

Total spectrum fee was Euro 954,678,101.

## 2016

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

Taking the first step towards its vision of supporting domestic production in LTE technologies, Türk Telekom became the first operator to place an order for ULAK, the LTE national base station project, developed by Aselsan, Netaş and Türk Telekom's R&D subsidiary Argela, with the support of the Undersecretariat of the Defense Industry.

At the GSM Association Mobile Congress held in Barcelona on February 22-25, cooperation between Türk Telekom and Korea Telecom was announced.

Nokia and Türk Telekom agreed to cooperate to produce "baseband" equipment that emits signals, considered the brain of a base station. Türk Telekom became the first operator to integrate ULAK Turkey's first national LTE base station into its network.

Prior to the transition to LTE on April 1, Türk Telekom's senior management launched GIGA LTE.

Türk Telekom, Turkey's leading communication and entertainment Technology Company introduced its new youth brand Selfy.

Türk Telekom's Board of Directors appointed Paul Doany, a prominent figure in the sector, as CEO as of September 26, 2016.

Türk Telekom in collaboration with Nokia became the first Turkish operator to test Narrowband IoT technology on its own network.

On December 12, 2016, organizational changes to increase efficiency and effectiveness under the integrated Türk Telekom structure were announced.

Türk Telekom International joined the Sea-Me-We-5 Consortium as a full member in 2015, and the cable system started to give service at the end of 2016, linking 17 countries in Asia to Europe over a distance of 20 thousand kilometers.

## 2017

Türk Telekom received a payment service license from the BRSA (Banking Regulation and Supervision Agency) for its subsidiary TT Ödeme Hizmetleri A.Ş. (Payment Services), established to provide new generation payment services to its customers.

As per the Official Gazette dated February 5, 2017, the Council of Ministers decided to transfer the Undersecretariat of the Treasury's 6.68% stake (5% Group B and 1.68% Group D shares) at Türk Telekom to the Turkish Wealth Fund. The share transfer took place following the decision.

The 5G Center of Excellence, designed by Türk Telekom's research and development subsidiary Argela, opened in Ankara with the purpose of developing domestic 5G technologies.

The "Brand Finance Telecoms 500" 2017 list was announced at the Mobile World Congress held in Barcelona. Türk Telekom was named "Turkey's most valuable telecommunications brand" on the Telecoms 500 list for 9 consecutive years.

An internet penetration campaign was launched across Turkey. In order to ensure the campaign to access wider population, Türk Telekom offered its brand new internet package to all internet service providers in Turkey via its wholesales channel.

Kars took its place among smart cities. Türk Telekom has transformed Kars into Smart City, introducing services such as free Wi-Fi, smart traffic management systems, smart lighting, and smart pass systems, city access points (information points), and security cameras.

The international Clear5G project, in which Türk Telekom and its subsidiary Argela are participants, demonstrated success to receive grant under HORIZON 2020, the European Commission's civilian research and innovation program with the largest budget in the international arena. Türk Telekom became the first Turkish telecommunications operator to participate in an international consortium in the field of 5G and beyond technologies.

Türk Telekom started a new era for its "Türk Telekom Prime" brand, which offers its customers exclusive services. Türk Telekom Prime has based its new brand promise on the concepts of "liberating, comfortable, and creating own space and time", under the new slogan "Multiply Life with Türk Telekom Prime". Türk Telekom Prime was relaunched with its new logo.

Two of Turkey's well-established institutions, Türk Telekom and PTT renewed Pttcell collaboration, and extended their partnership in mobile communications field, launched in 2013, for a further 5 years. Under the agreement, Türk Telekom will continue to provide network and technical infrastructure for the mobile communication services that PTT offers with its "Pttcell" brand until 2022.

Türk Telekom was selected as the most valuable brand in Turkey once again. In "Turkey's Most Valuable Brands of Turkey 100" list prepared annually by international brand assessment company Brand Finance, Türk Telekom, increasing its brand value by more than 11% to USD 2.6 billion, was selected as the most valuable brand in Turkey.

Avea-Vodafone Evrensel İş Ortaklığı, established by Türk Telekom and Vodafone with its best bid won the tender for delivering mobile communication infrastructure in 1,472 locations with no mobile infrastructure. The project will be carried out within the scope of the Universal Service Fund under the leadership of the Ministry of Transport, Maritime Affairs and Communications.

Türk Telekom again won the top spot at the 18<sup>th</sup> year of the Bilişim 500 (IT 500) event. Türk Telekom maintained its leader position among 500 IT companies in terms of sales revenue, winning the 2016 Grand Prize, "Number One in the Turkish IT Sector 2016". Türk Telekom also won "Number One in the Internet Services Category", "Number One in the Telecoms Company Main Category" and "Number One in Communication Technologies" awards.

Türk Telekom launched its platform-based digital keyboard Tambu, delivered with the vision of fostering domestic and national technologies.

As a first in the world, Türk Telekom simultaneously launched the demos for its 5G and Next Generation PON with Nokia.

Türk Telekom has joined forces with General Electric (GE) to accelerate the digital transformation of Turkish industry, and provide the latter with the advantages offered by the Internet of Industrial Things within the scope of the 'Industry 4.0' revolution. Türk Telekom and GE Digital via 'Digital Transformation of Industrial Companies' business partnership agreement targets, to provide digital transformation consultancy to Turkish industrial corporations, particularly those in the 'Top 500' list.

On the night of September 25<sup>th</sup> at Istanbul's Harbiye Open Air Theater, Türk Telekom launched its renewed and technologically upgraded digital music platform, Muud.

In an international step supporting the government's ambition to develop domestic and national technologies, Türk Telekom became a partner member of ONF (Open Networking Foundation), a US-based open platform that includes global technology giants among its members. By participating in the management of ONF, Türk Telekom now has the opportunity to play a pioneering role in 5G and innovative technologies, and introduce software defined networks and virtualization technologies to Turkey.

In Turkey's telecommunications sector, Türk Telekom became the first company to establish a Corporate Venture Capital (CVC) Company. Türk Telekom announced that, via its CVC company, it would invest in and become a partner to start-ups and/or mid-sized scalable enterprises that has the growth potential and proven business model via extending its own resources to create value from the growth of these companies.

Türk Telekom became a platinum member of the Linux Foundation project Open Network Automation Platform (ONAP), which unites leading global operators and technology providers. Türk Telekom is the only Turkish company to participate in this platform, which develops products and services for the automation, design and management of communication networks and virtual functions. On the platform, Türk Telekom aims to contribute to the development and growth of open source innovation and automation systems on a global scale.

# Türk Telekom Main Highlights



## LEADING COMPANY IN TURKEY

Integrated  
telecommunication  
services



## CONSECUTIVE **9 YEARS**

The most valuable  
telecommunication  
brand



TL **30.7** Billion

Capital expenditure  
since privatization  
(2005)



**83%**

LTE  
population  
coverage



Serving  
**41.7**  
Million  
Subscribers



**98%**  
Fixed line  
household  
coverage



**256** thousand  
km

Fiber network in

**81** cities



**16.2**  
Million

Fiber household  
coverage

## Key Developments

At the Mobile World Congress, Türk Telekom signed a collaboration agreement for the sale within the scope of ULAK, Turkey's first local LTE base station project developed by the Turkish Undersecretariat for Defense Industries with the participation of Türk Telekom's R&D and innovation subsidiary Argela.

### January 2017

#### **Türk Telekom's payment services license**

Türk Telekom's subsidiary, TT Ödeme Hizmetleri A.Ş. (Payment Services), established to provide new generation payment services to its customers, received a payment service license from the BRSA. Türk Telekom's license was announced in the Official Gazette dated January 6.

### February 2017

#### **Turkey's first 5G Excellence Center**

The 5G Center of Excellence, with the purpose of developing domestic 5G technologies and designed by Türk Telekom's research and development subsidiary Argela, opened in Ankara with a ceremony hosted by Türk Telekom CEO Paul Doany and Argela CEO Bülent Kaytaz and attended by Prime Minister Binali Yıldırım, Minister of Transportation, Maritime Affairs and Communications Ahmet Arslan, Minister of Science, Industry and Technology Faruk Özlü and President of the Information and Communications Technologies Authority Ömer Fatih Sayan.

The 5G Center of Excellence was announced to operate with the target to support Turkey become a nation both developing and exporting 5G technologies.

#### **Türk Telekom and Argela make their mark at Mobile World Congress**

Türk Telekom and its subsidiary Argela introduced new generation telecommunication technologies, primarily 5G and 5G-enabled solutions developed with national resources at the annual Mobile World Congress in Barcelona, the world's biggest mobile tech fair. The Undersecretary of Transport, Maritime Affairs and Communications Suat Hayri Aka made his first visit at the fair to Argela stand, where he received information on innovative 5G technological solutions developed with national resources. During the event, ProgRAN, 5G

Analytics and corporate network solutions, developed by Argela with 100% domestic engineering became a center of attraction for industry specialists from around the world. The 5G technology ProgNET, developed by national resources, also generated ample interest from global telecoms giants.

At the Mobile World Congress, Türk Telekom signed an agreement for the sales within the scope of ULAK, Turkey's first domestic LTE base station project under the leadership of the Undersecretariat of Defense Industry realized by a consortium that includes Türk Telekom's R&D and innovation subsidiary Argela. The signature ceremony hosted by Aselsan was attended by the Undersecretary of the Ministry of Transport, Maritime Affairs and Communications Suat Hayri Aka, Chief Advisor to the President Prof. Davut Kavranoglu, Deputy Undersecretary of the Ministry of Transport, Maritime Affairs and Communications Galip Zerey, President of the Information and Communication Technologies Authority Dr. Ömer Fatih Sayan, Undersecretariat of Defense Industry - Deputy Undersecretary Celal Sami Tüfekçi and ASELSAN Chairman Mustafa Murat Şeker, as well as Cengiz Doğan, Türk Telekom's Technology Assistant General Manager.

Türk Telekom and Nokia organized a 5G demo at the MWC 2017, showcasing how 5G technologies offer brand new experiences to users in large and crowded spaces, such as stadiums, and how it can render such locations smarter and highly secure. During the Türk Telekom and Nokia demo, which broke new ground in the global telecommunication sector, participants were virtually transported to a 5G stadium in the year 2020, being demonstrated concrete examples of how both management and audience can best utilize 5G meeting emergency needs via its division into separate virtual networks. The 5G demo performed at the Nokia stand was attended by President of Information and Communication Technologies Authority Dr. Ömer Fatih Sayan, Nokia European Region President Markus Borchert, Nokia's Senior Sales Director responsible for Türk Telekom Özlem Öztürk Sağlıkova and Türk Telekom's Technology Assistant General Manager Cengiz Doğan.



In Barcelona, Türk Telekom also announced its partnership with Huawei for the development of 5G technologies. The ceremony organized by the Mobile World Congress (MWC) was attended by President of Information and Communication Technologies Authority Dr. Ömer Fatih Sayan, as well as Huawei Turkey Assistant General Manager for solutions Zeng Jianguo and Türk Telekom's Technology Assistant General Manager Cengiz Doğan. Türk Telekom and Huawei have revealed their future cooperation on Next Generation Cloud network architecture, antenna technologies, and the Internet of Things (IoT), as well as the development, testing and implementation of new technologies that will contribute significantly to public security.

Türk Telekom's corporate social responsibility project, 'Loud Steps' received first prize at the MWC's (Mobile World Congress) GLOMO Awards 2017, in the category "Best Use of Mobile for Accessibility and Inclusion". In this category, in which more than 170 projects participated and five projects from across the world made it to the final stage, 'Loud Steps' received first prize for its audio and video guidance support, facilitating the lives of visually and hearing impaired individuals, in a worldwide first.

#### **SEA-ME-WE 5, a submarine data line connecting 17 countries was launched**

World's one of the most important and high capacity submarine data line consortium project SEA-ME-WE 5 was completed, in which Türk Telekom's subsidiary Türk Telekom International is the only Turkish participant. The station built by Türk Telekom International in Marmaris has become a part of this giant project, which interconnects 17 countries via submarine fiber cable. SEA-ME-WE 5 is not only the first submarine fiber connection extending from Western Europe to the Middle East and Southeast Asia, but also stands out for its top-notch audio quality and minimal latency in data traffic. The project was launched in Istanbul with the participation of senior managers from 19 member operators of the consortium.

#### **Türk Telekom named Turkey's most valuable telecoms brand for the 9<sup>th</sup> time**

Following unification under single brand in January 2016, Türk Telekom increased its brand value by more than 11% on an annual basis, reaching its historic highest brand value. "Telecoms 500" list published annually by international brand assessment agency Brand Finance and determining world's most valuable 500 telecom brands for 2017 was unveiled at the Mobile World Congress held in Barcelona. Türk Telekom was named "Turkey's most valuable telecommunications brand" for the ninth times in a row.

#### **March 2017**

#### **"Just Dream It" / Sen Yeter ki Hayal Et", Türk Telekom is always by your side**

Türk Telekom announced its new communication strategy under the motto "Just Dream It". Under the scope of the new communication strategy conceptualized to explain the transformative power of the technology on people's lives and communicated throughout the year, Türk Telekom emphasized that it offers people the technology they need to make their dreams come true, and they just need to dream. The first true hero of this strategy implemented to introduce the real success stories arising from Turkish soil under the slogan "Just Dream It" was Ümmiye Koçak, who rose to worldwide prominence with the theatre company she established in Mersin's Arslanköy village and the movie she scripted and directed. Ümmiye Koçak both acted in, and directed the "Just Dream It" commercial campaign featuring Cristiano Ronaldo, one of the world's top soccer players. In the commercial, Ronaldo also explains how he never ceased to chase his dreams, despite the challenges he faced.

## Key Developments

Türk Telekom stated its new communication strategy under the motto “Just Dream It”.

### **Internet Penetration Campaign launched across Turkey, Kars took its place among smart cities**

At the inauguration ceremony for the project to transform Kars into a “Smart City”, the Minister of Transport, Maritime Affairs and Communications Ahmet Arslan met with the locals and announced launch of the “No Home without Internet” campaign designed to make Internet service accessible for all income groups. Türk Telekom was the first to respond to the Minister of Transport, Maritime Affairs and Communications Ahmet Arslan’s call, “May all Turkish citizens have access to the Internet.” Türk Telekom has also launched an affordable Internet package for consumers who will access Internet for the first time, increased support to the “No Home without Internet” campaign.

The first Turkish telecommunication operator implementing smart city technologies, Türk Telekom has transformed Kars into Smart City as well, introducing services such as free Wi-Fi, smart traffic management systems, smart lighting, smart pass systems (information points), city access points, and security cameras. Another project concerning Kars is the city-specific “Kars Mobile” app. This mobile application offers information on city’s historical and cultural heritage to those wishing to know more about the city. Furthermore, the application Loud Steps developed by Türk Telekom for visually and hearing impaired individuals, was extended to include the Kars Governor’s Office Building in its Smart Cities scheme.



### **April 2017**

#### **Factories to operate with “zero” errors**

Türk Telekom became the first Turkish telecommunications company to participate in an international consortium for 5G and beyond technologies research. The international Clear5G project, in which Türk Telekom and its subsidiary Argela are participants, demonstrated success to receive grant under HORIZON 2020, the European Commission’s civilian research and innovation program with the largest budget in the international arena.

The international Clear5G (Reliable 5G MTC- Wireless Access) Project, in which Türk Telekom and its subsidiary Argela participate, will reduce data transmission latency within factory automation systems from 100 milliseconds to less than 1 millisecond. Applications for the factories of the future will feature extremely high safety and accessibility, reaching up to 99.999%. The work will focus on data transmission techniques that will extend the battery lives of receivers used in factories, and mutual comprehension among all machines normally communicating at different standards. These efforts will ensure a more rapid and efficient transition to Industry 4.0.

## Türk Telekom gives country-wide support to the “No Home without Internet” campaign.

### **Türk Telekom gives country-wide support to the “No Home without Internet” campaign**

Turkey’s leading communication and entertainment technologies company Türk Telekom has launched a nationwide campaign to support the “No Home without Internet” campaign initiated by the Ministry of Transport, Maritime Affairs and Communications to ensure that no single citizen in Turkey lacks of internet access.

In order to maximize participation in this campaign, Türk Telekom offered its newly developed internet package to all internet service providers in Turkey via its wholesales channel. With this offer enabling more and more companies to participate to the campaign, operators supported this initiative via low priced tariffs only charging the incremental costs and taxes.

### **May 2017**

#### **Time to “Multiply Life” with Türk Telekom Prime**

Türk Telekom turned entered a new era for the “Türk Telekom Prime” brand, which it offers exclusive services to customers. The new Türk Telekom Prime stands out for its content, staggered incremental tariffs, brand partnerships, and exclusive gifts, and has also revamped its logo in line with the new brand promise. Türk Telekom Prime has based its new brand promise on the concepts of “liberating, comfortable, and creating own space and time”, and the new slogan was announced as “Multiply Life” with Türk Telekom Prime. Türk Telekom Prime was re-launched with its new logo.

#### **Türk Telekom and PTT extend their partnership to 2022**

Turkey’s two well-established institutions, Türk Telekom and PTT announced the extension of their mobile communication collaboration for Pttcell launched in 2013 for an additional 5 years, at an event attended by the Ministry of Transport, Maritime Affairs and Communications Ahmet Arslan. Under the agreement, Türk Telekom will continue to provide network and technical infrastructure for the mobile communication services that PTT offers with its “Pttcell” brand, until 2022.

### **Four Gold Compass Awards go to Türk Telekom**

At the 16<sup>th</sup> edition of Turkish Public Relations Association’s (TÜHİD) Gold Compass Turkey PR Awards, Türk Telekom received four awards. The Company won the Jury Special Prize with its corporate social responsibility project. Telephone Library / Talking Paintings. Additionally, Türk Telekom received awards in the corporate social responsibility category for the launch of the Sunlight game, in the internal communications category for the New Brand Launch, and in the sponsorship communication category for its support of the Social Benefit Summit Istanbul.

### **June 2017**

#### **Türk Telekom discussed its 5G technologies at summit in London**

Türk Telekom participated the 5G World Summit bringing together the world’s top players in telecoms and technology. At the summit held on June 13-15<sup>th</sup>, Türk Telekom’s Marketing Assistant General Manager Hakan Dursun discussed Türk Telekom’s solutions such as new generation cities, M2M and the Internet of Things, as well as the Company’s preparations for 5G technology and provided information on the novelties that 5G would bring to our lives.



## Key Developments

According to Brand Finance's annual "Turkey's Most Valuable Brands - Turkey 100" list, Türk Telekom increased its brand value by more than 11% to USD 2.6 billion, becoming Turkey's most valuable brand.

### **Türk Telekom's comprehensive business model approach was explained at the World Summit on the Information Society Forum**

Türk Telekom CEO Dr. Paul Doany participated as a speaker at The World Summit on the Information Society Forum (WSIS) 2017, which annually brings together those who support information and communication technologies for development. In his speech, Doany shared with sector professionals Türk Telekom's comprehensive business model approach that inspires the business world, and the related projects that Türk Telekom pioneers in this field with professionals from different sectors.

### **Türk Telekom, Turkey's most valuable brand**

Having unified its brands in January 2016, Türk Telekom has once again become Turkey's most valuable brand. According to the international brand valuation company Brand Finance's annual "Turkey's Most Valuable Brands - Turkey 100" list, Türk Telekom increased its brand value by more than 11% to USD 2.6 billion, becoming Turkey's most valuable brand.

On Brand Finance's "Telecoms 500" list, featuring the world's most valuable telecoms brands, Türk Telekom has been designated as Turkey's "Most Valuable Telecoms Brand" for the ninth year in a row. These consecutive achievements have confirmed that it is not only Turkey's most valuable brand, but also "the leading information and communication technologies brand".

## July 2017

### **Extending mobile communication to every corner of Turkey**

Avea-Vodafone Evrensel İş Ortaklığı, established by Türk Telekom and Vodafone, with its best bid won the tender for delivering mobile telecoms services to 1,472 locations lacking in infrastructure. The project will be carried out within the scope of the Universal Service Fund, under the leadership of the Ministry of Transport, Maritime Affairs and Communications. Within the scope of the project, a business partnership has been established between Avea and Vodafone with 51% and 49% stakes respectively.

Since the infrastructure to be established can be used by other operators and subscribers as well, redundant investments will be avoided, and thus resources will be used more efficiently. The aim of the project is to bring the best mobile communication experience to individuals living in rural areas, and to extend of mobile coverage in those locations.

Türk Telekom offered communication support during the activities organized across the nation on the July 15<sup>th</sup> Democracy and National Unity Day.



#### **Commemoration of the martyrs and veterans of July 15<sup>th</sup>**

Türk Telekom has commemorated with various activities those citizens who lost their lives or were injured during the coup attempt of July 15. On the anniversary of the coup attempt, Türk Telekom organized a series of events in order to make sure that this dire event is not forgotten by the nation and the world. In the Türk Telekom Schools' painting, poetry and creative writing contest with "July 15<sup>th</sup>: Victory of Democracy, and Communication" theme, students who made it to the finals met with Prime Minister Binali Yıldırım at the Çankaya Mansion, and winners received their prizes from the Prime Minister Binali Yıldırım, as well as the Minister of Transport, Maritime Affairs and Communications Ahmet Arslan and Türk Telekom management. Mert Şahin's painting "The Picture of Heroism", which won the first prize, portrayed the Martyred Sergeant Major Ömer Halisdemir, a hero of July 15<sup>th</sup>. On the anniversary of July 15<sup>th</sup>, this painting appeared on Türk Telekom buildings' façades. Prime Minister Binali Yıldırım also participated via videoconference at the Mawlid and commemoration ceremony organized with the participation of the families of those martyred during the resistance in Acıbadem. Türk Telekom suffering its own martyrs, and becoming a veteran corporation in resisting with full force to the coup plotters' attempts to seize its buildings, offered communication support to events organized across the nation on the July 15<sup>th</sup> Democracy and National Unity Day.

## Key Developments

“Talking Paintings”, Turkey’s first art exhibition with audio commentary for the visually impaired was organized.

### August 2017

#### **Türk Telekom increases its data transmission speed 21-fold with Nokia**

Türk Telekom and Nokia, together, performed simultaneously 5G and New Generation PON demos, in a worldwide first. The 5G and next generation PON demos carried out at Türk Telekom Technology Center demonstrated that in locations with fiber cable infrastructure, the data transmission capacity can be increased 21-fold with PON. During the demo, the data transmission speed over a fiber line was increased from 2.5 Gigabytes to 52 Gigabytes in single direction, and from 3.75 Gigabytes to 101 Gbps (total UL/DL) in both directions. The demo also demonstrated that the very low latency offered by 5G at industrial facilities enables three robots to work in coordination thanks to 5G technology with a delay of just 1 millisecond.

#### **A great honor from the United Nations to Türk Telekom’s Telephone Library**

Telephone Library has been accepted to the Business Call to Action (BCTA) program, of UNDP (United Nations Development Programme) established to contribute to Sustainable Development Goals. As such, Türk Telekom has two programs included in the BCTA program, including its “Life is Easy with Internet” project accepted in 2013.

#### **Türk Telekom Academy Marketing School opens its doors to youth**

Türk Telekom Academy Marketing School available to Türk Telekom employees; as a first in Turkey opened its doors to young individuals preparing for a career in marketing. Among young individuals who participated in the contest organized via Türk Telekom Career social media accounts and formulated the “Ideal Marketing Professional”, six selected on an assessment were given the opportunity to participate in training programs at the Türk Telekom Academy Marketing School.



### September 2017

#### **Talking Paintings: Turkey’s first art exhibition with audio commentary for the visually impaired**

Under its social responsibility project “Telephone Library”, Türk Telekom organized Turkey’s first art exhibition with audio commentary for the visually impaired, namely Talking Paintings, which opened its doors on September 11<sup>th</sup> at a gala dinner in İstanbul. Türk Telekom CEO Dr. Paul Doany hosted the event, where twenty famous paintings were on display, with audio commentary read by celebrity figures. The Minister of Transport, Maritime Affairs and Communications Ahmet Arslan provided the audio commentary for Gentile Bellini’s painting of Sultan Mehmet the Conqueror, at the premier exhibition with audio description for the visually impaired in Turkey.

#### **Türk Telekom launched a technology campaign across 38 Turkish provinces**

Türk Telekom has initiated a technology campaign geared towards women with the motto “Now is Your Time”. As part of the campaign, technology training was offered to women via the Education Truck that travelled across Turkey, and at Türk Telekom Directorates.

At Harbiye Open Air Theater, Türk Telekom launched its upgraded digital music platform Muud.

In these training seminars, women enjoyed the opportunity to learn about basic Internet usage, social media platforms, and applications such as e-state, Skype and Google Maps that will make their daily life easier. In around three months, 4 thousand women participated in the seminars.

#### **Türk Telekom's digital music platform Muud was launched**

On the night of September 25<sup>th</sup> at Istanbul's Harbiye Open Air Theater, Türk Telekom launched its renewed and technologically upgraded digital music platform Muud. Revamped with the slogan "The freedom of music according to your mood", the digital music platform Muud not only gives the chance to listen to close to 4 million local and foreign tracks in its archives without limitation, but is also designed as a smart platform instantly notifying subscribers of the latest novelties in the music community. This was the first launch event to take place at Harbiye Open Air Theater, and also featured an exclusive concert by Murat Boz, one of the most listened artists on Muud.

#### **Telecom giants establish a technology bridge binding together 40 countries**

In line with the vision of transforming Turkey into the region's digital hub, Türk Telekom and Turkcell held one of the most ambitious events of the telecoms sector to date,

bringing global giants together in Turkey. Jointly organized by Türk Telekom International and Turkcell Superonline in Antalya, the "International Operator Customer Event" hosted more than 100 telecoms companies from 40 countries in Europe, Africa and Asia, including Deutsche Telekom, China Telecom Global and Orange. The event was participated by 250 senior managers and also attended by the Nakhchivan Autonomous Republic's Communication and Technology Minister Rövsen Memmedov and Azerbaijan's Communication and Advanced Technology Deputy Minister İltimas Memmedov. Organized to contribute to the goals of making Turkey the region's digital hub and İstanbul the regional technology center, the event focused on various agenda items for 2018, and also created new business partnership opportunities that will contribute to the sector.

### **October 2017**

#### **Türk Telekom at the forefront of global technological innovation**

The Minister of Transport, Maritime Affairs and Communications Ahmet Arslan announced that Türk Telekom had taken an international step in contributing to the government's objective of domestic and national technology production, and joined the US-based open platform ONF (Open Networking Foundation) as a partner member. The platform counts world technology giants among its members. By joining the management of ONF, established under the leadership of Stanford University, Türk Telekom now has the opportunity to keep a close watch on developments in the telecoms sector, have a say in new projects, and transfer these technologies to Turkey. With its managerial in this open platform which monitors the latest developments in the telecoms sector, and develops new technologies, alongside global giants such as Google, AT&T, Deutsche Telekom, Verizon and Samsung. Türk Telekom has obtained a pioneering role in advancing 5G and innovative technologies, and introduce software defined networks and virtualization technologies to Turkey.



## Key Developments

Having customer satisfaction one of its main goals, Türk Telekom launched the “EMPATHY Program,” which aims to deliver top-quality service and an excellent end-to-end customer experience.

### **With the EMPATHY Program, Türk Telekom takes a huge step towards becoming “The Most Preferred Company”**

Having customer satisfaction as one of its major goals, Türk Telekom has launched the EMPATHY Program to deliver top quality service, and excellent customer experience from end to end. The pioneer of the EMPATHY Program designed to carry forward customer services, operational services, and internal customer experience, Türk Telekom CEO Paul Doany, changed his title on Twitter from Chief Executive Officer to Customer Experience Officer (CEO). The program has a matrix-like operating format that includes all business units, as well as the Group’s subsidiaries. Türk Telekom aims to boost customer satisfaction and become the most preferred company with the EMPATHY Program, which focuses on customers, and their constantly changing and evolving needs. In the initial phase, more than 100 Türk Telekom and Group company employees joined the program, with more to follow suit in the coming period. Under the EMPATHY Program, visits were organized to all fields, regions and business units from end to end, and employees started to be informed of the new work culture. This open communication platform within the Company also allows employees to express their opinions and suggestions.

### **Türk Telekom’s Loud Steps, assisting the visually and hearing impaired, featured in GSMA MENA**

Türk Telekom’s corporate social responsibility project Loud Steps app and its projects on smart cities were introduced at the GSMA Mobile 360 Series Conference, which has a finger on the pulse of technology in the Middle East and North Africa. At this conference, held in Dubai on October 9-10, 2017, where the impact of mobile technology on transport, finance, health and urbanization was discussed, Türk Telekom participated in the panel discussion entitled “Internet of Things and Smart Cities”, and explained its contribution to the Turkish economy and society with the technologies it develops.

### **Türk Telekom shares video of its employees’ inspiring stories**

Real events experienced by Türk Telekom employees, who work across the 81 provinces under the most challenging conditions to ensure seamless communication services, were shared on social media with a viral video. Türk Telekom believing that the main task of its employees across Turkey is to provide benefits to individuals, showed how Türk Telekom helped a mother communicate with her son performing his military service in remote Beytüşşebap via satellite phone via highly emotional video shows. Türk Telekom CEO Paul Doany has provided the video voiceover in Turkish, which ends with the words “We are proud to strengthen unbreakable bonds.” The video in a short period of time became very popular on social media.

### **Türk Telekom’s significant contribution to G-20Y**

Türk Telekom was the only company representing the Turkish telecommunications industry at the 8<sup>th</sup> edition of the G-20 Youth (G-20Y) Summit. At the event held in the city of Evian in France with the main theme of Deglobalization, Türk Telekom’s Strategy, Planning and Business Development Assistant General Manager Firat Yaman Er took part in the “Digital Innovation and Transformation” committee established during the organization to discuss the effects of digitalization on business processes and society at large. The committee discussed issues such as artificial intelligence, the Internet of Things and robotization, as well as social matters such as how the workforce would adapt to digitalization, the role of education in this process, and the integration of low income individuals in the process. It was emphasized that, as digitalization penetrates our lives at full speed, governments should take effective measures against the risk of a part of the workforce in all geographies and sectors to lose their jobs.

Türk Telekom initiated a new partnership with GE Digital in order to accelerate Turkish industry’s digital transformation and offer it the advantages brought about by Industrial Internet of Things as part of “Industry 4.0.”



#### **Türk Telekom and GE Digital join forces for the Industry 4.0 revolution**

Türk Telekom has initiated a new partnership with GE Digital in order to gear up Turkish industry’s digital transformation and offer it the advantages brought about by the Internet of Industrial Things within the scope of Industry 4.0 revolution. Türk Telekom and GE Digital via ‘Digital Transformation of Industrial Companies’ business partnership agreement targets to provide digital transformation consultancy to Turkish industrial corporations, particularly those in the ‘Top 500’ list. Türk Telekom and GE Digital took steps to provide joint services in order to identify companies’ digitization levels and provide them with advanced technological solutions to determine the strategies and roadmaps that will deliver the highest value in the shortest space of time for their digital transformation.

#### **Türk Telekom’s subsidiary İnnova collaborates with SAP to spur the growth of SMEs, the backbone of the Turkish economy**

Türk Telekom and its IT solutions subsidiary İnnova signed a partnership deal with global software giant SAP to diversify their corporate and SME solution packages further. Türk Telekom and İnnova’s partnership with SAP focuses on providing accounting and mini-enterprise resource planning (ERP) apps to SMEs. The services, which will be offered via cloud technologies, will help SMEs -the backbone of the Turkish economy- grow their business and keep their costs under control. Türk Telekom and SAP also joined forces in the field of e-commerce to establish an online marketplace where SMEs can meet their procurement needs more efficiently.

## Key Developments

Türk Telekom has unveiled Tambu, a platform-based digital keyboard, developed in line with the vision of fostering domestic and national technologies.

### November 2017

#### **Türk Telekom establishes Corporate Venture Capital company**

Having made important contributions to Turkey's entrepreneurship ecosystem to date, Türk Telekom announced that it would expand its contributions via establishing a Corporate Venture Capital company. This initiative makes Türk Telekom the first telecoms company undertaking such a decision. With this step, which will make a huge contribution to the Turkish entrepreneurship ecosystem, the Company will mobilize its resources to support entrepreneurial companies developing technologies that could bring synergies with its core operation, and help them grow and create value for the national economy. As such, Türk Telekom will also help the capital in Turkey become more institutionalized and remove the barriers for enterprises that require capital to grow. Türk Telekom announced that, via its Corporate Venture Capital company, which would be a separate legal entity, it would invest in, and become a partner to start-ups and / or mid-sized scalable enterprises- of strong growth potential and a proven business model, via extending its own resources (TT Ventures company was established in February 2018).

#### **A first for Turkey from Türk Telekom: The platform-based national digital keyboard Tambu**

Türk Telekom has unveiled Tambu, a platform-based digital keyboard, developed in line with the vision of fostering domestic and national technologies. Digital keyboards are a new area of competition in the digital world, and Türk Telekom has taken an ambitious step in this respect with its national product Tambu, yet another groundbreaking achievement in the sector. Complete with features such as animated stickers and GIFs inspired by Turkish culture, customizable background templates and themes, learning keyboard capabilities, fast access to proverbs and maxims as well as instant translation to more than 100 languages, Tambu stands out as the first domestic digital platform that introduces users to artificial intelligence with its "learning system". Offered to anyone willing to use a Turkish and national application regardless of geography and operator, Tambu with Turkish instant correction and completion features, and F-keyboard option, enables users to type in a comfortable and faster manner. Finally, its practical Turkish speech to text capability is another important groundbreaking innovation.

#### **Türk Telekom becomes member of Open Network Automation Platform (ONAP)**

Türk Telekom became a platinum member of the Open Network Automation Platform (ONAP), a project by Linux Foundation that brings together prominent operators and technology suppliers across the globe. Türk Telekom is the only Turkish company to participate in this platform, which develops products and services related for the automation, design and management of communication networks and virtual functions. On the platform, Türk Telekom plans to contribute to the worldwide expansion and development of open source innovation and automation systems at the global level.



Türk Telekom, TÜBİTAK and Boğaziçi University, together with national and international agencies organized a big data contest to formulate solutions for the problems of 3.5 million refugees.

Pooling together the resources of its members, ONAP focuses on the open standards for the creation of a vibrant ecosystem where common network architecture and network automation at the global level is implemented. In this respect, Türk Telekom aims to take part in the management of ONAP's plans for companies seeking support for need-based services via increasing investments, as well as for cloud technology suppliers. The advanced network technologies developed by Türk Telekom engineers with open standards and open sources focus will be utilized as an important part of the sustainable open source ecosystem at global level.

ONAP has 18 platinum members including global service and technology providers such as AT&T, China Mobile, China Telecom, Cisco, Ericsson, Huawei, IBM, Intel, Nokia, Orange, VMWare, ZTE, Amdocs, Bell, GigaSpaces, Jio, Tech Mahindra and Vodafone. Operators that serve 55% of the world's mobile subscribers are represented in ONAP. By becoming a member of ONAP, Türk Telekom plans to open new windows on the world for Turkish engineering.

## December 2017

### **Boğaziçi University, TÜBİTAK and Türk Telekom joined forces for the refugees**

Türk Telekom, TÜBİTAK and Boğaziçi University, together with national and international agencies organized a big data contest to formulate solutions for the problems of 3.5 million refugees. Using this data, project applicants will be able to develop apps that can offer solutions to the social problems of refugees, who embody today's most important humanitarian crisis. In order for applications to be included in the contest, projects should be applicable in real life, provide solutions for high priority problems, be original, have a strong hypothesis, enjoy academic approval, and be compatible with social life.

# Key Performance Indicators

In 2017, Türk Telekom Group posted revenue and EBITDA even at the high end of the guidance revised upwards in July 2017, with record-breaking growth rates in both financial metrics.

## Financial Indicators

### Revenue, EBITDA and Net Income

Türk Telekom Group announced outstanding financial and operational results for 2017, marked by accelerated growth in revenue and EBITDA. In 2017, Türk Telekom Group posted revenue and EBITDA even at the high end of the guidance revised upwards in July 2017, with record-breaking growth rates in both financial metrics. Consolidated revenues increased 12.6% to TL 18.1 billion - the highest growth since IPO. Excluding IFRIC 12\*, consolidated revenues increased 11.1% at the high end of the revenue guidance range of 10% - 11% annual growth. Consolidated EBITDA grew 18.0% - the highest EBITDA growth since IPO - to TL 6.45 billion at the high end of the EBITDA guidance range of TL 6.3 billion - TL 6.4 billion for 2017. EBITDA margin was at 35.6% - 1.6 ppt improvement compared to 2016, driven by accelerated revenue growth and effective cost management. Excluding the one-off impact of TL 144 million settlement provision on treasury shares in Q4'17, EBITDA margin in 2017

increased to 36.4%. Net income was at TL 1,136 million in 2017, a significant improvement compared to net loss of TL 724 million a year ago, thanks to stronger operating performance and more moderate FX movements during 2017 compared to 2016.

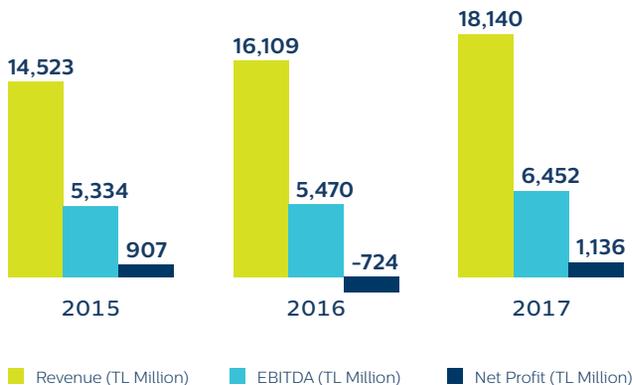
### Breakdown of Consolidated Revenues

The share of the high growth businesses, namely mobile and broadband, in consolidated revenues reached 64% in 2017, compared to 60% in 2015 driven by stronger subscriber and ARPU in both businesses.

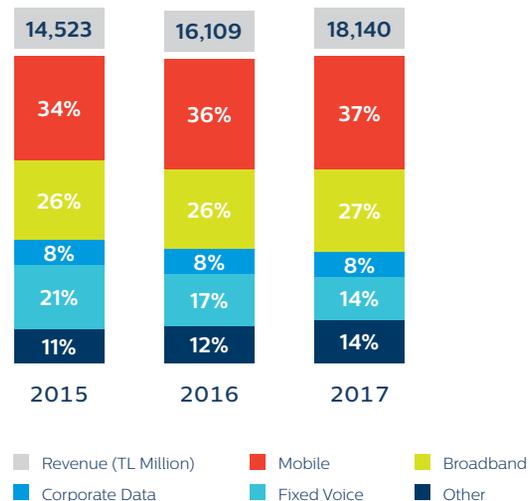
On the other hand, the share of fixed voice revenues, the third largest revenue item, declined to 14% in 2017, down from 21% in 2015. Annual decline in fixed voice revenues eased down to 7% in 2017 from 10% in 2015.

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

Revenue, EBITDA and Net Income



Breakdown of Consolidated Revenues



Other: TV, international sales, interconnection, IFRIC 12 adjustment, eliminations and other revenue

### Capital Expenditures

Group invested TL 3.2 billion representing 17.8% of consolidated revenues in 2017 - in line with CAPEX guidance of around TL 3.3 billion.

### Breakdown of Capital Expenditures

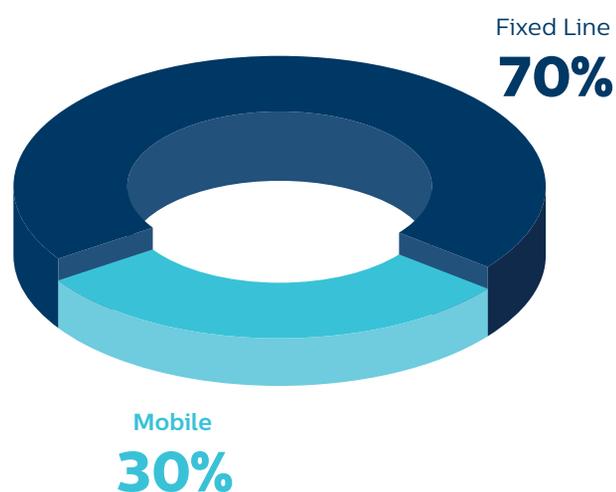
Major Capex areas were fiber network roll-out in fixed line, network investments in mobile and IT transformation projects during 2017.

Capital Expenditures\*



■ Capital Expenditures (TL Million)  
▶ Capital Expenditures/Sales

Capital Expenditures Breakdown



\*Capital Expenditures excluding license fee

Summary Income Statement (TL million)	2015	2016	2017	2016-2017 Change (%)
Revenue	14,523	16,109	18,140	12.6
Net Operating Expenses excluding Depreciation and Amortization	(9,189)	(10,639)	(11,688)	9.9
Earnings before Interest Tax Depreciation and Amortization (EBITDA)	5,334	5,470	6,452	18.0
Depreciation and Amortization	(2,272)	(2,849)	(3,019)	6.0
Operating Profit	3,062	2,621	3,433	31.0
Net Financial Income/(Expenses)	(1,801)	(3,018)	(1,954)	(35.2)
Tax	(398)	(328)	(343)	4.6
Net Profit	907	(724)	1,136	n.m.

## Key Performance Indicators

In 2017, consolidated EBITDA increased to TL 6,452 million, meeting the guidance range at the high end, with 18.0% YoY growth – the highest annual growth since IPO.



**13% growth**  
in Consolidated  
Revenues in 2017

### Revenues

Consolidated revenues increased by 12.6% YoY (up by TL 2,031 million) to TL 18,140 million in 2017 with 15.3% increase in mobile (up by TL 882 million) and 15.4% increase in broadband (up by TL 655 million). Excluding IFRIC 12, top line growth was 11.1% YoY (up by TL 1,739 million), at the high end of the guidance range.

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

In 2017, consolidated EBITDA increased to TL 6,452 million, meeting the guidance range at the high end, with 18.0% YoY (up by TL 982 million) growth – the highest annual growth since IPO. EBITDA margin in the same period improved by 1.6 ppt to 35.6%, driven primarily by strong revenue growth and operating efficiencies under the more streamlined organization.

Group booked TL 144 million expense in Q4'17 in other operating expenses due to provisions for treasury share settlement. Excluding this one-off item, EBITDA margin increased to 36.4% in 2017.

### Depreciation and Amortization Expense

Depreciation and amortization expense increased by 6.0% YoY (up by TL 171 million) to TL 3,019 million in 2017.

### Operating Profit

Operating profit increased 31.0% YoY (up by TL 811 million) to TL 3,433 million in 2017 on the back of the record breaking growth in EBITDA.

### Net Financial Income/Expense

Net financial expenses declined 35.2% YoY (down by TL 1,064 million) to TL 1,954 million in 2017 driven by lower FX\* losses during the year compared to 2016.

### Tax Expense

Tax expense increased 4.6% YoY (up by TL 15 million) to TL 343 million in 2017. In this item, TL 354 million deferred tax income reported mainly due to capital increase of Avea in Q4'17 was also included.

### Net Income/Loss

Group generated TL 1,136 million net income in 2017, recovering from net loss of TL 724 million in 2016 thanks to stronger operational performance and lower financial expenses.

\*Dec'17 - USD/TL: 3.7719, EUR/TL: 4.5155 Dec'16 - USD/TL: 3.5192 EUR/TL: 3.7099

<b>Summary Balance Sheet (TL million)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Intangible Assets	8,217	8,341	<b>8,438</b>
Tangible Assets	8,565	8,760	<b>9,138</b>
Other Assets	6,154	6,757	<b>7,473</b>
Cash and Cash Equivalents	2,838	3,016	<b>4,100</b>
<b>Total Assets</b>	<b>25,774</b>	<b>26,874</b>	<b>29,149</b>
Share Capital	3,260	3,260	<b>3,260</b>
Reserves, Retained Earnings and Other Equity Items	1,733	126	<b>1,295</b>
Interest Bearing Liabilities	11,803	15,041	<b>16,492</b>
Provision for Employee Termination Benefits	635	696	<b>711</b>
Other Provisions	8,342	7,751	<b>7,391</b>
<b>Total Equity and Liabilities</b>	<b>25,774</b>	<b>26,874</b>	<b>29,149</b>

#### **Total Assets**

In 2017, total assets increased 8.5% year on year to TL 29.1 billion, mainly driven by increase in cash and cash equivalents as well as trade receivables in parallel to increase in sales. At the same time, property plant and equipment increased in line with capital expenditures.

#### **Total Equity and Liabilities**

Total equity and liabilities increased in 2017 mainly driven by strong recovery in net income under equity. After TL 724 million net loss in 2016, company generated TL 1,136 million net income in 2017 booked under equity. At the same time, impact of ongoing depreciation of the Turkish Lira against USD and EUR led to an increase in interest bearing liabilities, particularly in Q4.

<b>Ratios (%)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Net Debt/EBITDA	1.68	2.17*	<b>1.87*</b>
Net Debt/Total Assets	0.35	0.45	<b>0.43</b>
Debt (Total Liabilities)/Total Equity	4.16	6.94	<b>5.40</b>
Debt (Financial)/Total Equity	2.36	4.44	<b>3.62</b>
Current Ratio	0.99	1.11	<b>1.22</b>

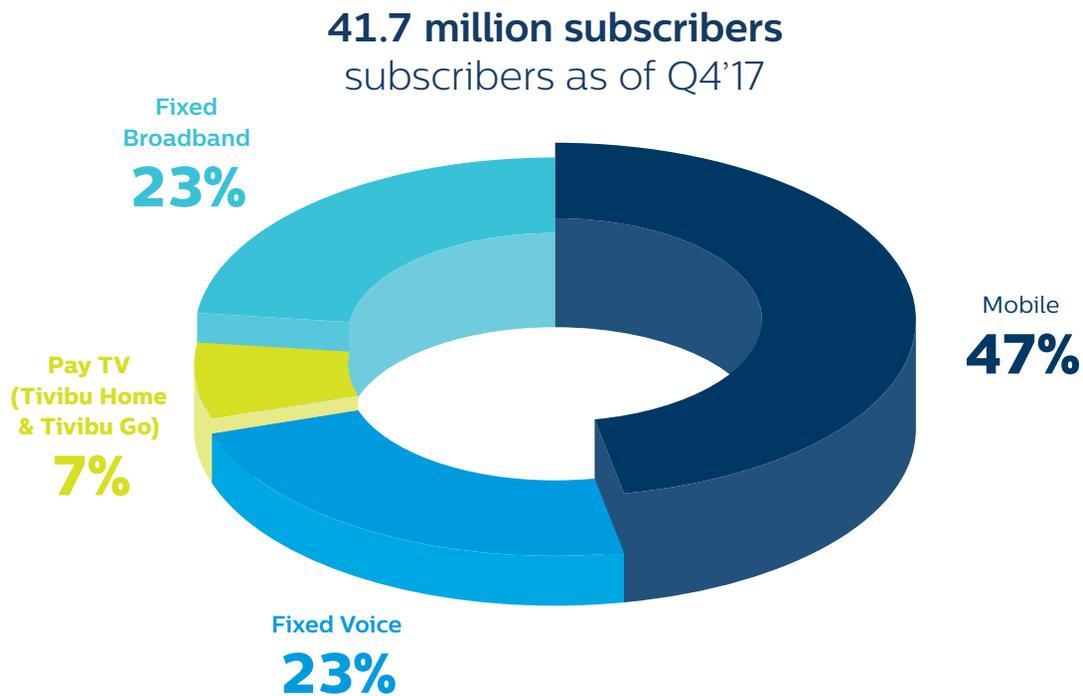
\*2016 & 2017 Net Debt / EBITDA calculation excludes extraordinary claims.

## Key Performance Indicators

Number of total subscribers increased to 41.7 million with 2.8 million net additions in 2017 –the best annual subscriber addition since IPO.

### Operational Indicators

Number of total Türk Telekom subscribers increased to 41.7 million with 2.8 million net additions in 2017 –the best annual subscriber addition since IPO.



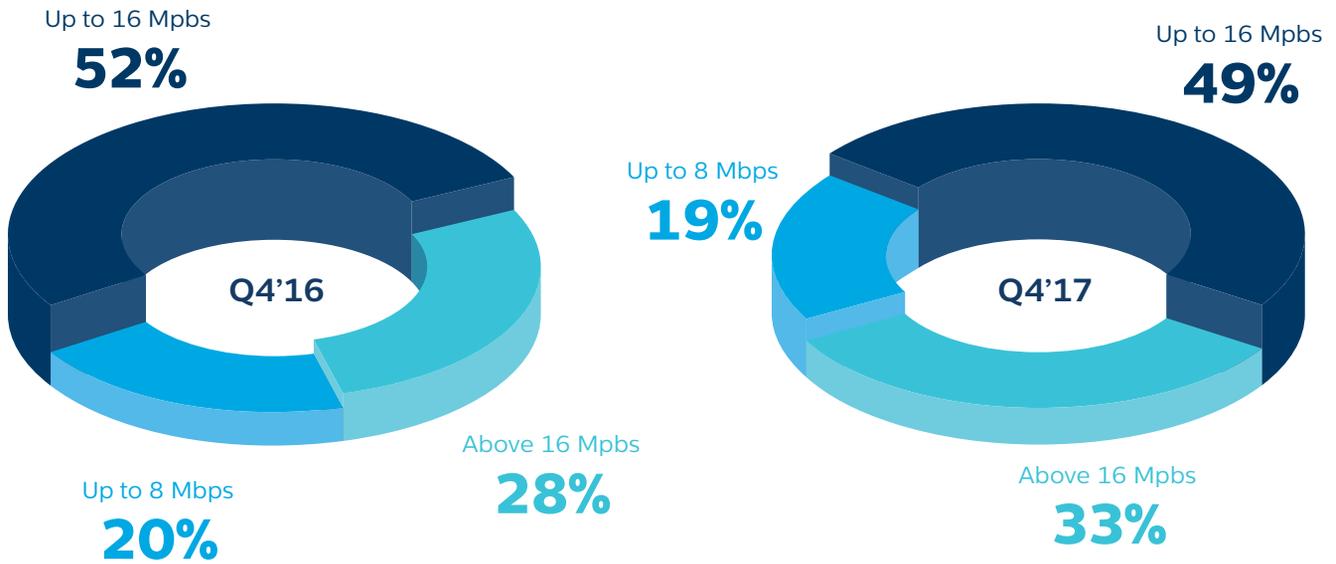
### Broadband Operational Indicators

Broadband subscribers were up by 1.1 million in 2017 to 9.7 million – the highest base growth since 2008 with 5% ARPU growth yoy. Fiber subscriber base\* expanded by 737K (69% of total net broadband adds) to 2.7 million while the share of penetration focused “Internet on Us/Internet Bizden” campaign was at around 20% in net broadband additions.

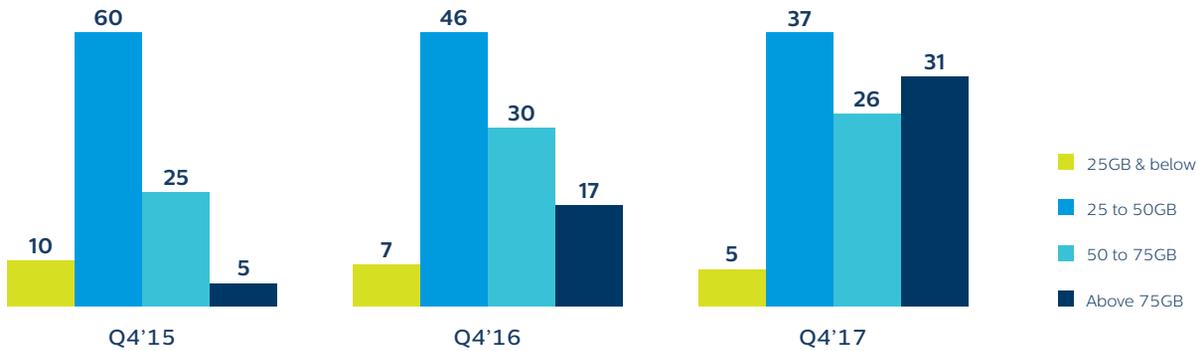
\*Fiber subscribers include FTTH/B & FTTC subscribers.

Broadband Operational Indicators	2015	2016	2017	2016-2017 Change (%)
Broadband Total Subscribers (million)	8.0	8.7	9.7	12.2
Fiber Subscribers (million)	1.5	2.0	2.7	36.7
Broadband ARPU (TL)	40.7	42.5	44.6	5.0

### Speed Breakdown (% of Subscribers)



### Capacity Breakdown (% of Subscribers)



Türk Telekom with its 256 thousand kilometer nationwide fiber network, expanded its FTTH/B and FTTC homepass to 16.2 million in 2017. With increasing data usage in the market and demand for higher speed, the share of subscribers on higher capacity tariffs (above 75GB) reached 31% as of 2017 year-end, while the share of 16 Mbps and above packages increased to 33%.

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

## Key Performance Indicators

Thanks to higher data plans and other innovative propositions, average monthly mobile data usage among smartphone users increased, from 2.8GB per user in Q4'16 to 4GB in Q4'17.

### Mobile Operational Indicators

In mobile, total subscribers increased to 19.6 million with 1 million net additions at the end of 2017. Net additions were particularly strong at 423 thousand in Q4'17, more than double of net additions in Q4'16.

Postpaid subscribers were up by 1.0 million in 2017 and postpaid subscriber ratio reached to 55% compared to 53% a year ago. This positive evolution in the subscriber mix along with higher data consumption drove 10% year on year growth in mobile APRU in 2017.

Thanks to our higher data plans and other innovative propositions, average monthly mobile data usage among smartphone users grew further in Q4'17 to 4GB per user,

up from 2.8GB in Q4'16. Additionally, LTE-compatible devices among the smartphone users continued to increase, reaching a penetration of 67% from 53% a year ago. Our LTE base expanded by 78% year on year to 6.9 million, 35% of our total mobile subscriber base. All of these, led to a 60% year on year growth in Q4'17 data revenues, which marked up 55% of our mobile service revenues, up from 39% a year ago.

Tambu, Turkey's first digital keyboard with unique Turkish content and with a platform feature for all mobile users, independent from the operator was launched in 2017, reaching 4.5 million downloads in around 3 months since the launch.

Mobile Operational Indicators	2015	2016	2017	2016-2017 Change (%)
Subscribers (million)	17.3	18.6	19.6	5.5
Postpaid Subscribers (million)	8.7	9.8	10.8	10.3
Prepaid Subscribers (million)	8.5	8.8	8.8	0.2
ARPU - Blended (TL)	23.5	25.3	27.9	10.3
LTE Population Coverage (%)	-	75.0	83.0	

Total access lines reached 13.7 million with 251K net adds in Q4'17, the highest quarterly base growth since IPO.

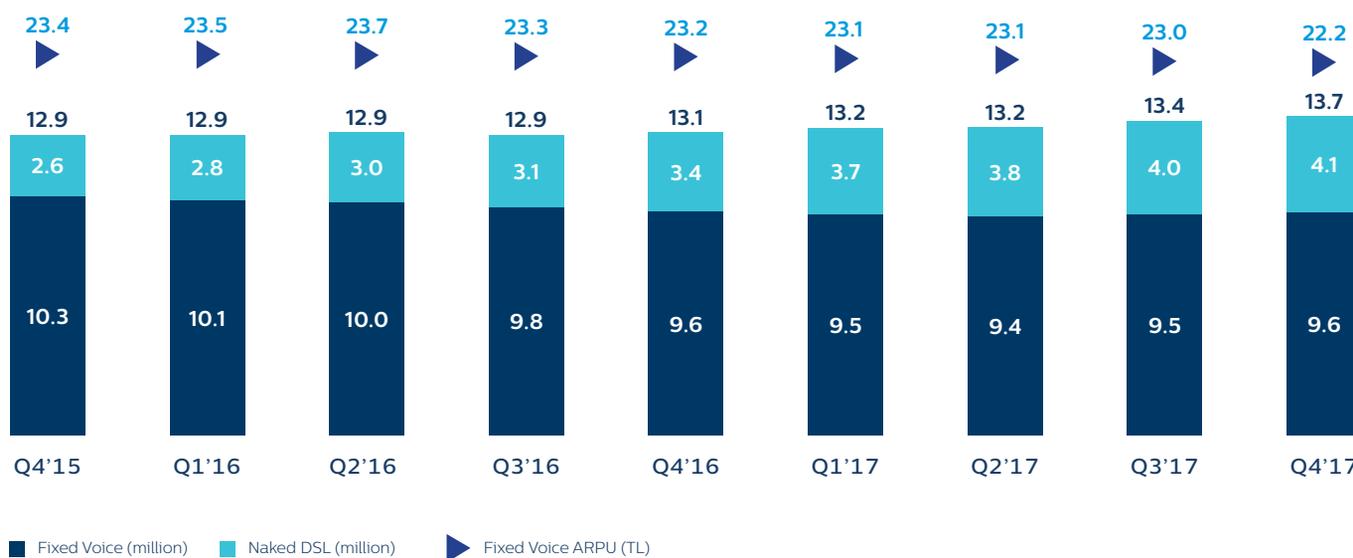
### Fixed Voice Operational Indicators

Cross sell efforts drove the upward trend in fixed voice segment in 2017. Following the first subscriber gain since IPO in Q3'17, number of fixed voice subscribers increased by 118K in Q4'17 to 9.6 million. Combined with nDSL, total access lines reached 13.7 million with 251K net adds in Q4'17 - the highest quarterly base growth since IPO.

Fixed Voice Operational Indicators	2015	2016	2017	2016-2017 Change (%)
Total Access Lines (million) <sup>(1)</sup>	12.9	13.1	13.7	4.6
Fixed Voice Subscribers (million)	10.3	9.6	9.6	(0.7)
Naked DSL Lines (million)	2.6	3.4	4.1	19.3
Fixed Voice ARPU (TL)	23.4	23.4	22.9	(2.4)

<sup>(1)</sup> Total access lines include fixed voice and wholesale line rental.

### Total Access Line and ARPU



## Key Performance Indicators

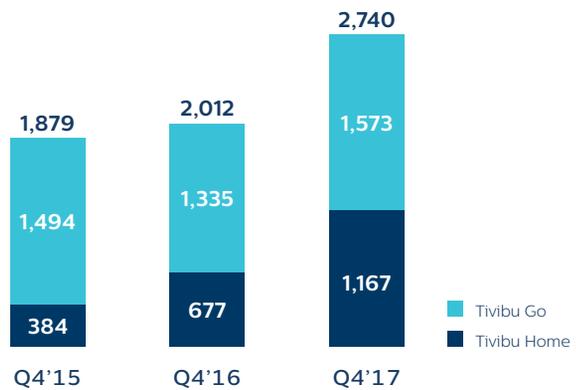
In Pay TV, with mobile synergy activities, strong momentum in subscriber growth continued. Total Pay TV subscribers reached 2.7 million with 728K net additions in 2017

### TV Operational Indicators

In Pay TV, with mobile synergy activities, strong momentum in subscriber growth continued. Total Pay TV subscribers reached 2.7 million with 226K net additions in Q4 and 728K in 2017. Home TV segment maintained its strong trend, reaching 1.2 million subscribers with 490K net adds in 2017 - the highest annual net adds ever in this segment.

Integrated distribution channels, single brand, synergy offers and cross-platform feature (DTH, IPTV, webTV) significantly contributed to the success of the Company in the TV market. Such that, 82% of new DTH subscribers were acquired through mobile synergy offers in the 4<sup>th</sup> quarter of the year. Additionally, self-installation feature also made a substantial contribution to the expansion of TV subscribers.

### Subscribers (Thousand)



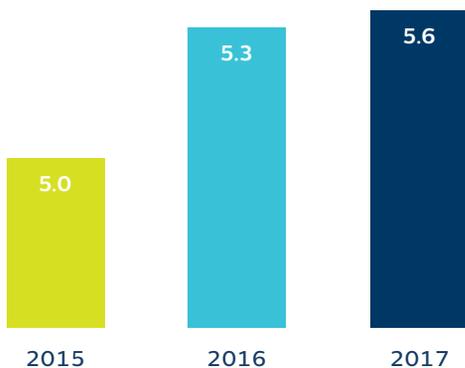
### Contribution to Public Finances

In 2017, Türk Telekom Group made a contribution of TL 5.6 billion to Turkey's public finances through tax and treasury share payments to the state.

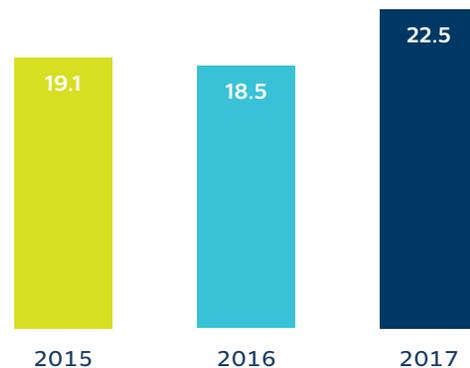
### Market Capitalization

The market capitalization was at TL 22.5 billion as of 2017 year-end.

### Contribution to Public Finances by Year (TL Billion)



### Market Capitalization (TL Billion)



## STOCK AND BOND INFORMATION

### Stock Information

Company Name	Türk Telekomünikasyon A.Ş.
Scope of Activity	Telecommunication and Technology Services
Stock Exchange	Borsa İstanbul (BİST)
BIST Ticker	TTKOM
Bloomberg Ticker	TTKOM TI
Reuters Ticker	TTKOM IS
IPO Date	May 15, 2008
Free Float	15%
Number of Listed Shares	525,000,000
Average Daily Trading Volume (02/01/2017-29/12/2017)	TL 26.6 million
Market Capitalization (29.12.2017)	TL 22.5 billion
Closing Price (29.12.2017)	TL 6.44
Highest Price (02/01/2017-29/12/2017)	TL 7.32
Lowest Price (02/01/2017-29/12/2017)	TL 5.16
ISIN	TRETTLK00013

### Bond Information

Issuer	Türk Telekomünikasyon A.Ş.	Türk Telekomünikasyon A.Ş.
Stock Exchange	Irish Stock Exchange	Irish Stock Exchange
ISIN Code	XS1028952155	XS1028951264
Type	Eurobond	Eurobond
Form of Sale	Foreign Sale	Foreign Sale
Issue Amount	USD 500 million	USD 500 million
Maturity	5 Years	10 Years
Redemption Date	19.06.2019	19.06.2024
Redemption Plan	Fixed and semi-annual in each year/ principal amount will be paid at the end of the expiry date.	Fixed and semi-annual in each year/ principal amount will be paid at the end of the expiry date.
Coupon Rate	3.75%	4.875%

### CREDIT RATINGS

In 2017, Group's operational and financial performance continued to be appreciated by credit rating agencies. Both S&P Global Ratings and Fitch Ratings confirmed their investment grade ratings for Türk Telekom.

	Fitch Ratings	S&P Global Ratings
Last update	September 18, 2017	December 22, 2017
Long Term Rating	BBB-	BBB-
Outlook	Negative	Negative

## Key Performance Indicators

Türk Telekom Group announced outstanding financial and operational results for 2017, marked by accelerated growth in revenue and EBITDA and increasing momentum in subscriber acquisitions.



**TL 6.45 billion**  
Consolidated  
EBITDA in 2017,  
**record annual  
growth of 18%**

### Performance in 2017 and guidance for 2018

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

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

In February, 2017, Türk Telekom provided its guidance for 2017 as below:

“Under current circumstances,  
- Consolidated revenue growth (excluding construction revenue adjustment) to be 8% to 9% over 2016,  
- Consolidated EBITDA to be at TL 5.8 billion and TL 6.0 billion levels,  
- Consolidated CAPEX to be around TL 3 billion.”

In July 2017, the Company announced its revision decision on the guidance as below:

“Our Company has decided to revise upwards its 2017 guidance on:

- Consolidated revenue (excluding construction revenue adjustment) and EBITDA on the back of strong revenue growth and operational profitability increase in the first half of 2017,
- Consolidated capital expenditures considering the acceleration planned for corporate data and information technologies projects in the second half of the year.

Accordingly, under current circumstances, guidance for 2017 is as below:

- Consolidated revenue growth (excluding construction revenue adjustment) to be 10% to 11% over 2016,
- Consolidated EBITDA to be at TL 6.3 billion and TL 6.4 billion levels,  
- Consolidated CAPEX to be around TL 3.3 billion.”

At the end of 2017, Türk Telekom met its year end revenue and EBITDA guidance at the high end with record breaking growth rates in both financial metrics. That is to say consolidated revenue excluding IFRIC 12 (construction revenue adjustment) increased 11.1% YoY and EBITDA amounted to TL 6.45 billion. Meanwhile, Group invested TL 3.2 billion in line with CAPEX guidance.

### Guidance for 2018 Consolidated Financial Results

Under current circumstances,

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

*Sen yeter ki hayal et*

# Hayal etmenin yaşı yok



Türk Telekom



## 2017 Highlights



### **Turkey's first 5G Excellence Center was opened in Ankara**

The 5G Center of Excellence, with the purpose of developing domestic 5G technologies, designed by Türk Telekom's research and development subsidiary Argela opened in Ankara with a ceremony hosted by Türk Telekom CEO Paul Doany and Argela CEO Bülent Kaytaz and attended by Prime Minister Binali Yıldırım, Minister of Transportation, Maritime Affairs and Communications Ahmet Arslan, Minister of Science, Industry and Technology Faruk Özlü and President of the Information and Communications Technologies Authority Ömer Fatih Sayan. A first in Turkey, 5G Excellence Center was announced to operate with the target to support Turkey become a nation both developing and exporting 5G technologies. Operating with the vision of developing advanced technologies on the road to the Vision 2023 targets, the Center has been described as an important step towards the etatisation of communication infrastructure.



### **World famous soccer player Cristiano Ronaldo and Ümmiye Koçak of Mersin say "Just Dream It" with Türk Telekom**

Türk Telekom clearly stated its new communication strategy under the motto "Just Dream It". As such, Türk Telekom has emphasized that the technologies it has on offer transform people's lives enabling them to realize their dreams, simply by imagining them. The communication strategy sheds light on the real success stories in Turkey and as such the first true hero of the "Just Dream It" campaign was Ümmiye Koçak, who rose to worldwide prominence with the theatre company she established in Mersin's Arslanköy village, and the movie she scripted and directed. Ümmiye Koçak both acted in, and directed the "Just Dream It" commercial campaign featuring Cristiano Ronaldo, one of the world's top soccer players. In the commercial, Ronaldo also explains how he never ceased to chase his dreams, despite the challenges he faced.



### **Türk Telekom in the management of world-renowned technology platform ONF (Open Network Foundation)**

In a crucial step for Turkey and its telecoms sector, Türk Telekom entered the management of the world-renowned technology platform ONF (Open Networking Foundation) based in the USA. Alongside with Google, AT&T, Deutsche Telekom, Verizon and Samsung, Türk Telekom will sit on the Board of Directors of this open platform, which monitors the latest trends in telecoms and develops advanced technologies. As such the Company became in the position to shape projects there, and even change the structure of telecoms ecosystem. The partnership is expected to yield major benefits ranging from reducing Turkey's current account deficit to increasing communication quality for the people on the street, and of course, supporting Turkey become a country that develops technologies.



### **EMPATHY Program was launched for an excellent customer experience**

Türk Telekom has initiated the EMPATHY Program, which will further enhance customer satisfaction, one of its top priorities, while offering an excellent customer experience. To announce the program, Türk Telekom CEO Paul Doany has changed his title on Twitter from Chief Executive Officer to Customer Experience Officer (CEO). The program's mission is to address all the needs of customers via innovative and top quality solutions using advantages of advanced technologies.

### **Türk Telekom's PILOT enterprises go global**

The fifth term graduates of PILOT, the first startup accelerator program launched by Turkish private sector, participated the world's largest tech conference Web Summit 2017. During these five terms, Türk Telekom's PILOT program graduated 45 entrepreneurs on topics such as e-commerce, training and cloud technologies, big data, augmented and virtual reality technologies. TL 2 million in cash was extended to PILOT enterprises. The 35 enterprises supported until 2016 have yielded a turnover of TL 6 million, and employ 141 personnel, a clear indication of the program's crucial support to the national economy.



### **Türk Telekom establishes corporate venture capital company**

Türk Telekom announced that it would set up a Corporate Venture Capital company. With this step, which will make a huge contribution to the Turkish entrepreneurship ecosystem, the Company will mobilize its resources to support entrepreneurial companies developing technologies which could bring synergies with its own core operations, and help them grow and create value for the national economy.

Türk Telekom Corporate Venture Capital Company will become a partner to enterprises by offering them mainly in-kind capital and extending its internal resources. Via these efforts, which will support core operations, Türk Telekom targets to sign its name to future technologies such as 5G; software defined networks, the Internet of Things, smart cities and artificial intelligence.



### **Türk Telekom launched the platform-based national digital keyboard Tambu a first in Turkey**

Türk Telekom opened a new era in the IT sector with its platform-based digital keyboard Tambu. Tamбу's tool bar introduced numerous novelties and practicalities to Turkey for the first time. Accessible by anyone willing to use a national application with domestic components, Tamбу is the first "domestic digital platform" to offer numerous novelties in a bundle.

## 2017 Highlights



### Türk Telekom continues to create smart cities with its corporate solutions

Having introduced smart cities to Antalya and Karaman, Türk Telekom has recently transformed Kars into a smart city, under the leadership of the Ministry of Transport, Maritime Affairs and Communications. Kars residents can now enjoy free Wi-Fi, smart traffic management systems, smart lighting, smart pass systems, city access points (information points), and security camera services. As such, Kars has seen its productivity and economic opportunities increase, while locals enjoy a well-organized and comfortable lifestyle. Another project concerning Kars is the city-specific “Kars Mobile” app. This mobile application offers information on the city’s historical and cultural heritage to those keen to know more about Kars. In addition to turning Kars into a smart city, Türk Telekom has also helped it become a fiber city, enabling the residents of Kars to access Internet at up to 100 megabytes per second, and thus make the best of information and communication technologies.



### Türk Telekom’s digital music platform Muud was launched

On the night of September 25<sup>th</sup> at Istanbul’s Harbiye Open Air Theater, Türk Telekom launched its renewed and technologically upgraded digital music platform Muud. Revamped with the slogan “The freedom of music according to your mood”, the digital music platform Muud not only gives the chance to listen to close to 4 million local and foreign tracks in its archives without limitation, but is also designed as a smart platform instantly notifying subscribers of the latest novelties in the music community. Muud’s launch was the first launch event to take place at Harbiye Open Air Theater, and also featured a special concert by Murat Boz, one of the most listened to artists on Muud.



### Türk Telekom was named Turkey’s most valuable telecoms brand for the 9<sup>th</sup> time

Following unification under single brand in January 2016, Türk Telekom increased its brand value by more than 11% on an annual basis, reaching its historic highest brand value. “Telecoms 500” list published annually by international brand assessment agency Brand Finance and determining world’s most valuable 500 telecom brands for 2017 was unveiled at the Mobile World Congress held in Barcelona. Türk Telekom was named “Turkey’s most valuable telecommunications brand” for the ninth times in a row.



### **Türk Telekom and GE Digital join forces for the Industry 4.0 revolution**

Türk Telekom has initiated a new partnership GE Digital in order to gear up Turkish industry's digital transformation and offer it the advantages brought about by the Internet of Industrial Things as part of Industry 4.0 revolution. Via 'Digital Transformation of Industrial Companies' business partnership agreement, Türk Telekom and GE Digital targets to provide digital transformation consultancy to Turkish industrial corporations, particularly those in the 'Top 500' list. Türk Telekom and GE Digital took steps to provide joint services in order to identify companies' digitization levels and provide them with advanced technological solutions to determine the strategies and roadmaps that will deliver the highest value in the shortest space of time for their digital transformation.



### **Türk Telekom becomes member of Open Network Automation Platform (ONAP)**

Türk Telekom became a platinum member of the Open Network Automation Platform (ONAP), a project of the Linux Foundation. Türk Telekom is the only Turkish company to participate on this platform, which includes global operators and technology companies such as AT&T, China Mobile, China Telecom, Cisco, Ericsson, Huawei, IBM, Intel, Nokia, Orange, VMWare, ZTE, Amdocs, Bell, GigaSpaces, Jio, Tech Mahindra and Vodafone among its members. By becoming a member of ONAP, Türk Telekom seeks to support the utilization of technologies developed by Turkish engineers across the globe.

### **Important partnership between Türk Telekom's subsidiary İnnova and SAP for SMEs**

Türk Telekom and its IT solutions subsidiary İnnova signed a partnership deal with the global software giant SAP to diversify their corporate and SME solution packages further. Türk Telekom and İnnova's partnership with SAP focuses on providing accounting and mini-enterprise resource planning

(ERP) apps to SMEs. The services, which will be offered via cloud technologies, will help SMEs, the backbone of the Turkish economy, grow their business and keep their costs under control. Türk Telekom and SAP also joined forces in the field of e-commerce to establish an online marketplace where SMEs can meet their procurement needs more efficiently.

### **Türk Telekom offered 5 thousand people Internet training under its Technology Campaign**

Türk Telekom has initiated a technology campaign, with a special focus on women, in order to introduce more individuals to Internet technologies and mobile apps, and teach around 5 thousand people basic Internet usage. Training seminars were organized among different social groups across numerous regions, whereby individuals in 38 provinces were offered basic Internet training. The mobile training truck -redesigned as a technology classroom- covered 11 thousand kilometers for this purpose.

## Awards

Türk Telekom receives top prize at Platin Global 100 Awards in the ICT sector.

### **Türk Telekom was designated Turkey's most valuable brand**

Having unified its brands in January 2016, Türk Telekom has once again become Turkey's most valuable brand. According to the international brand valuation company Brand Finance's annual "Turkey's Most Valuable Brands - Turkey 100" list, Türk Telekom increased its brand value by more than 11% to USD 2.6 billion, becoming Turkey's most valuable brand.

On Brand Finance's "Telecoms 500" list featuring the world's most valuable telecoms brands, Türk Telekom has been named Turkey's "Most Valuable Telecoms Brand" for the ninth year in a row. These consecutive achievements have confirmed that it is not only Turkey's most valuable brand, but also "the leading information and communication technologies brand" in Turkey.

### **Türk Telekom collects 5 awards at Bilişim 500 (IT 500)**

Türk Telekom was deemed worthy of the following awards:

- "First in the Turkish IT Sector 2016",
- "First in Internet Services Category",
- "First in Telecoms Company Main Category",
- "First in Communication Technologies"

Meanwhile, İnnova came first in the "Business Implementations of the Year" category, posting the highest sales revenue.

### **Türk Telekom receives top prize at Platin Global 100 Awards in the ICT sector**

At the Platin Global 100 Awards organized by Platin magazine in cooperation with Ipsos to acknowledge Turkey's most successful companies, Türk Telekom was awarded the top prize in the information and communication technologies sector.

### **Türk Telekom receives global top prize at IT Architecture Excellence Awards**

The CommiTT application developed by Türk Telekom engineers received first prize in the "Customer-Focused Business Models" category of the ICMG's IT Architecture Excellence Awards 2017.

Türk Telekom Technology Assistant General Manager Cengiz Doğan made it to the World's Best CIOs list, while the Türk Telekom engineers who developed the CommiTT project were featured on the "2017 Chief Architects" list, and awarded.

### **International Innovation Award to Türk Telekom**

At the "SAP HANA Innovation Awards 2017" organized by the leading corporate software company SAP, Türk Telekom stood out among 150 applications to win the "Special Honorary Award".

At the “SAP HANA Innovation Awards 2017” organized by the leading corporate software company SAP, Türk Telekom stood out among 150 applications to win the “Special Honorary Award”.

#### **Türk Telekom deemed worthy of Golden Compass award for successful projects**

In 2017, the Turkish Public Relations Association (TÜHİD) gave Türk Telekom a four awards.

- Launch of the Sunlight game/Corporate social responsibility - training category/Gold Compass
- Telephone Library - Talking Paintings app/Jury Special Prize
- Support to the Social Benefit Summit Istanbul/Gold Compass
- New Brand Launch/Internal communications category/Gold Compass Sunlight Project/Best Business Awards program - Social responsibility category, Best social responsibility project award

#### **innova collects 10 awards in 2017**

Research companies and our international solution partners granted a series of awards to Innova in recognition of its successful projects.

- Deloitte Technology Fast50 Turkey 2017: “For 12 years in a row, the only company” (2017)
- Deloitte Technology Fast50 Turkey 2017: Big Stars Turkey (2017)
- Stevie Best Employer Awards 2017 “Problem Solving Training Category - Gold Prize”
- Stevie Best Employer Awards 2017 “Interpersonal Skills Training Category - Silver Prize”
- Stevie Best Employer Awards 2017 “Professional or Legal Training Category - Bronze Prize”
- Bilişim 500 Business Applications of the Year Category - First Prize (2017)
- Beetech 2016 Awards National - International Support Category - First Prize (2017)
- Fortinet - Best Manageable Services Partner Award of the Year (2017)
- 2017 HANA Innovation Awards - Special Honorary Award
- Microsoft - Best Digital Transformation Project

#### **AssisTT was once again designated “The World’s Best Call Center”**

Türk Telekom’s subsidiary AssisTT received gold prizes in the categories below at Contact Center World Awards, one of the most prestigious award organizations of the global call center sector.

- “Best Call Center”
- “Best Outsourcing Business Partner”
- “Best Technology Innovation”

#### **GLOMO Award to Türk Telekom at Mobile World Congress**

Türk Telekom’s “Loud Steps” project made it to the finals and then won first prize at the GLOMO Awards during the Mobile World Congress, in the “Best Use of Mobile for Accessibility and Inclusion” category.



Türk Telekom came first in the “Communication Sector” category and Tivibu in the “Digital Platform” category in the Customer Experience Index survey.

### **Türk Telekom receives grand prize in two categories at A.L.F.A. Awards**

In the awards of the Customer Experience Index research of Marketing Türkiye magazine carried by Xsights Research Company, Türk Telekom came first in the “Communication Sector” category and Tivibu in the “Digital Platform” category.

### **Innova and Argela collect three awards at BEETECH 2016**

- Innova - Large Scale Companies category/ “National-International Support” award,
- Argela - University-Industry Partnership category/ First prize,
- Argela CEO Bülent Kaytaz - “R&D Pioneers” special award.

### **Multiple awards go to Türk Telekom International**

At the Global Carrier Awards, organized by Capacity Magazine and viewed as the most prestigious award in the field of wholesale telecommunication services, Türk Telekom International received “Best Carrier in Eastern Europe and CIS Region” and “Best Customer Testimony” awards. In addition, the SEA-ME-WE-5 cable system received the “Best Submarine Innovation” award.

The title “Best Carrier in Eastern Europe and CIS Region” has been given to Türk Telekom International, in recognition of its innovative and visionary development strategy, and extraordinary performance across the European wholesales telecoms market. The “Best Customer Testimony” award, on the other hand, is a reflection of the international wholesales telecoms community’s appreciation with Türk Telekom International, which has been providing the best service to customers with different needs and expectations within a wide geographical area, and achieving continuous growth through new partnerships and with a pioneering approach over past years.

### **AssisTT was named world’s number one**

At the Contact Center World 2017 awards viewed as one of the most prestigious organizations in the sector, AssisTT was designated the world’s number one in the three categories of “Large Scale Outsourcing Call Center”, “Best Outsourcing Business Partner” and “Best Technology Innovation”.

### **In-House launch of the Türk Telekom Brand**

Last year, Türk Telekom realized the largest brand transformation in Turkey by unifying its fixed internet, broadband mobile and fixed voice services under the single brand. Türk Telekom carried out special projects to help more than 33 thousand employees adapt to this process. The Company’s in-house communication efforts were deemed worthy of the Gold Compass award in the “Internal Communication” category.

### **Türk Telekom Academy receives Best Corporate University Award**

Türk Telekom Academy, Türk Telekom’s corporate training center, has been awarded the silver prize in the category of “The Best Corporate University - Holistic Human and Digital Approach” at the Global Council of Corporate Universities awards.

### **Türk Telekom Academy collects two TEGEP awards**

Türk Telekom Academy’s the “Telecoms Certificate Program from the Master” within the scope of its partnerships with vocational colleges received “development Project making a Difference in Social Contribution” award. Meanwhile, the Academy’s “Occupational Health and Safety School” won first prize in the Best Technology Supported Development Program category.

Türk Telekom Academy’s “Telecoms Certificate Program from the Master” within the scope of partnerships with vocational colleges received “Development project making a difference in social contribution” award.

Türk Telekom Human Resources Department had a very successful year and received highly prestigious national and international awards in 2017.

- Mr. Şükrü Kutlu, Assistant General Manager of Human Resources, Regulation & Support at Türk Telekom, was named among The 50 Most Powerful CHROs in Turkey, according to the results of a survey conducted by Fortune Turkey and DataExpert research firm.
- “Device and Foreign Language Workshop” received the Bronze Stevie in the “Skills Training Program or Media” category.
- At the Brandon Hall 2017 Excellence Awards; Türk Telekom Academy Career and Talent Management received the Bronze with Development Consultancy Program in the “Best Unique or Innovative Talent Management Program,” Orchestra Talent Management Strategy and System received the Bronze award in the “Best Advance in Creating a Talent Strategy” category.



#### **Awards for Consumer Sales Operations**

##### **Telecoms-Web category**

- Online Transactions Mobile Gold Stevie
- Online Transactions Internet Bronze Stevie
- Online Transactions Home Phone Bronze Stevie

##### **Mobile Site & Apps category**

- Online Transactions Mobile App Silver Stevie
- Online Transactions Internet App Bronze Stevie
- Online Transactions Home Phone App Bronze Stevie

##### **Best product / service of the year category**

- Online Transactions Internet - Bundle Offer Bronze Stevie



*One can succeed  
in anything.  
If one really  
aspires to!*

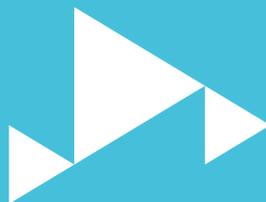
Muhammed Furkan Oyma

Muhammed Furkan Oyma was born to a family of poor peasants. At primary and junior high school, he assisted his parents in their work and also studied hard. Everyday, Furkan went first to the field for work and then to the school. Furkan graduated from high school at the top of his class and entered Ankara University's Department of Law, the school he always dreamed of.

*We successfully  
meet the  
demands of our  
over 41 million  
subscribers.*

Because we want people to be happy, and to communicate with their loved ones in the most practical and economical way. We love our work.

**34,502**  
**employees in**  
81 cities





*We are  
Turkey's  
leader  
multiplay  
provider*

## Chairman Message

As Turkey's world-class integrated information and communication technologies company, Türk Telekom has been investing in Turkey for 177 years. In 2017, Türk Telekom proudly delivered capital expenditures of 3.2 billion TL.

2017 was a 'ramp-up' year for Türk Telekom in the sense that Türk Telekom focused heavily on extracting the most value out of the brand unification via efficiency gains and new value propositions, which are designed to benefit the customer, investor and Turkey.

Accordingly, in the beginning of 2016, Türk Telekom has unified its brands for retail internet, mobile services and fixed voice under one roof - 'Türk Telekom'. Offering the widest coverage in Turkey, providing one-stop shop experience thanks to the brand unification and also new value propositions via presenting innovative product & services are all welcomed quite well by the customers in 2017, as we see the highest annual subscriber addition in Türk Telekom's history since the initial public offering (IPO). Accordingly, Türk Telekom recorded 2.8 million net subscriber addition in 2017 and 12.6% year-over-year topline growth, reaching TL 18.1 billion revenues - record high annual growth figures since the IPO of the company in 2008. At the same time, Türk Telekom has successfully executed an exemplary efficiency program throughout the year and hence generated 18.0% year-over-year improvement in EBITDA, again a record-high annual growth since the IPO.

Now, Türk Telekom is proudly serving 41.7 million subscribers, providing fiber homepass to 16.2 million households, covering 98% of homes with fixed line and 83% population with LTE. Getting strength from these metrics, Türk Telekom is the leading information and communication technologies company in Turkey and has been proudly awarded as the most valuable telco brand for 9 consecutive years by Brand Finance.

In 2017, Türk Telekom proudly delivered capital expenditures of 3.2 billion TL. As Turkey's world-class integrated information and communication technologies company, Türk Telekom has actually been investing in Turkey for 177 years. Since the privatization in 2005, Türk Telekom has invested TL 30.7 billion to Turkey's digital transformation - in other words to increase the fiber roll-out, GSM networks, applications & services. Apart from the capital expenditures Türk Telekom has put in to better serve Turkey and its clients, the Company has contributed TL 82.1 billion to Treasury since the privatization, considering the license fees paid, all the taxes ranging from special communication to corporate, the funds raised after the IPO and the dividends Türk Telekom paid out.

On top of all these, in 2017, Türk Telekom has also genuinely contributed to the development of local and national technologies for Turkey's future. Accordingly, Türk Telekom has designed the first digital platform-based national keyboard of Turkey - Tambu, which has immediately captured consumers' attention and reached 4.5 million downloads in just 3-month-time after its hard launch in November 2017. In addition, Türk Telekom has become the first Turkish operator to be a partner of Open Networking Foundation (ONF) and Open Network Automation Platform (ONAP); hence now in the design kitchen of technological developments for the benefit of the entire World. These memberships will contribute greatly towards the vision of the technologies developed by Turkish engineers being used on a global scale.

## Chairman Message

Türk Telekom is running several Corporate Social Responsibility projects (CSR) to eliminate regional, generational, physical, and economic inequalities within the society by taking advantage of the equalizer power of technology.

Apart from its direct investments, Türk Telekom is also extracting a significant value for the society. Accordingly, Türk Telekom is running several corporate social responsibility projects (CSR) to eliminate regional, generational, physical, and economic inequalities within the society by taking advantage of the equalizer power of technology. Türk Telekom aims to make information and communication technologies accessible by all segments of the population. The efforts in this field go beyond philanthropic activities to what corporate citizenship requires. Accordingly; in 2017, Türk Telekom grew its Life is Simple with Internet Project that was initiated in 2013 with the aim of increasing internet literacy. With the efforts during 2017, the Company extended the project to 54 cities and increased the number of people who received internet literacy trainings from 21 thousand to 30 thousand. In addition, Türk Telekom has launched the mobile application of this project in both Turkish and Arabic for the refugees living in Turkey in order to reach hundreds of thousand people and teach how to use the Internet. In 2017, money recognition feature was added to Books on the Phone Project's mobile application, which incorporates the audio recording of thousands of books for visually impaired. This year, the application is downloaded by 17 thousand times and listened by 5 million minutes. In its 6<sup>th</sup> year, Türk Telekom enriched Books on the Phone Project's content by adding a specific section called Talking Paintings

involving worldwide paintings' audio descriptions. Also this year, Türk Telekom has opened Turkey's first audio-described painting exhibition with the kind vocalization contributions from Transport, Maritime Affairs and Communications Minister Ahmet Arslan and several celebrities. Proudly, Talking Paintings received 'Turkey's Best Project' award at European Excellence Awards in 2017, where 1,500 projects are competing at different categories. Sunshine Project, which aims to enhance visual ability of children with limited sight, has reached 700 students in 2017 and Loud Steps, our indoor mobile navigation application that provides autonomy and independency to the people with visual impairments, is awarded the 'Best Use of Mobile for Accessibility Inclusion' at GSMA's Global Mobile Awards.

For all these achievements, I sincerely thank the entire Türk Telekom family - our valuable employees, investors and business partners for their dedication and valuable work put in 2017.



**Mohammed Hariri**  
Chairman of the Board of Directors

## Assessments of the Board of Directors

Türk Telekom Group's risks are determined by annual Risk Identification and Assessment surveys. The risk topics identified in 2017 were divided into Financial, Strategic and Operational Risks categories.

### Assessment on the Financial and Operational Results

Türk Telekom Group announced outstanding financial and operational results for 2017, marked by accelerated growth in revenue and EBITDA and increasing momentum in subscriber acquisitions. The Group met its year end revenue and EBITDA guidance at the high end with record breaking growth rates in both financial metrics, while attaining the highest subscriber gains since IPO.

Consolidated revenues increased by 12.6% YoY to TL 18,140 million in 2017 with 15.3% increase in mobile and 15.4% increase in broadband revenues. Excluding IFRC 12, top line growth was 11.1% YoY. Consolidated EBITDA increased to TL 6,452 million, with 18.0% YoY growth while EBITDA margin improved by 1.6 ppt to 35.6%, driven primarily by strong revenue growth and operating efficiencies under the more streamlined organization. Group booked TL 144 million expense in Q4'17 in other operating expenses due to provisions for treasury share settlement. Excluding this one-off item, EBITDA margin increased to 36.4% in 2017. Group generated TL 1,136 million net income in 2017, recovering from net loss of TL 724 million in 2016 thanks to stronger operational performance and lower financial expenses.

### Operational Highlights of 2017 were as follows;

Number of total Türk Telekom subscribers increased to 41.7 million with 2.8 million net additions - the best annual net add since IPO.

Broadband subscribers were up by 1.1 million - the highest base growth since 2008, reaching 9.7 million.

Fiber subscriber base expanded by 737 thousand (67% of total net broadband adds) to 2.7 million while the share of penetration focused "Internet Bizden" tariffs was at around 20% in 2017 net broadband additions.

Mobile subscribers were up by 1.0 million, lifting total number of mobile subscribers up to 19.6 million. Postpaid subscriber ratio reached to 55% compared to 53% a year ago.

LTE coverage expanded to 83% of the population in Q4'17 from 75% a year ago. Meanwhile, fiber network extended to 256 thousand kilometers in 81 cities, growing by 28 thousand kilometers over 2016.

The decline trend in fixed voice reversed starting from Q3'17 with a net subscriber gain for the first time since IPO. Following the first subscriber gain since IPO in Q3'17, number of fixed voice subscribers increased by 118K in Q4'17 to 9.6 million. In the full year of 2017, number of total fixed voice subscribers declined by only 65 thousand, a significant turnaround compared to 652 thousand net subscriber loss in 2016.

Combined with nDSL, total access lines reached 13.7 million with 599 thousand net adds in 2017 - the highest base growth since IPO.

Acceleration in Pay TV subscriber growth continued. Total Pay TV subscribers reached 2.7 million with 728 thousand net additions in 2017. Home TV segment maintained its strong trend, reaching 1.2 million subscribers with 490 thousand net adds - the highest net adds ever in this segment.

In 2017, a project to identify Risk Appetite in Türk Telekom and all Group companies was initiated.

### Risks and Assessments of The Board of Directors

Türk Telekom Group's risks are determined by annual Risk Identification and Assessment surveys. The 41 risk topics identified in 2017 were divided into the categories of Financial, Strategic and Operational Risk.

These risks are then prioritized according to evaluations by Türk Telekom senior management, risk responsibilities are duly distributed and actions plans are drawn up to either manage, or else completely eradicate them. Detailed root cause analyses were performed for these 41 risks in order to provide a basis for action planning, and joint efforts were expended under the guidance of the Corporate Risk Management Department.

The general evaluations concerning these risks are presented below.

### Financial Risks

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

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

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

Türk Telekom minimizes the negative impact of foreign exchange risk on its cash flow by carefully planning foreign currency cash flow. Firstly, the Group holds a balanced portfolio of foreign currencies (US Dollar and Euro) to avoid adverse impacts on the balance sheet. Additionally, in the face of exchange rate fluctuations between the Turkish Lira and these foreign currencies, the Group initiated a long-term hedging strategy in 2015, and realized a hedging transaction of USD 1 billion, details of which are provided in the footnotes to the financial statement. Furthermore, in order to create a natural hedge against foreign exchange risk, Türk Telekom keeps a significant portion of its liquid assets in the form of foreign exchange cash.

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

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

Türk Telekom carries the transactions to manage the financial risks based on the evaluations and approval of the Treasury Committee, which is appointed by the Board of Directors.

### **Strategic Risks**

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

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

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

### **Operational Risks**

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

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

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

In 2017, important measures were taken for the efficient management of human resources, a crucial subcategory of operational risks. Detailed root cause analyses were performed for various risks falling under this subcategory, such as Effective Talent and Employment Management, Talent Retention and Preservation of Corporate Memory. Areas demanding solutions were identified and work commenced for the development of necessary actions.

## Assessments of the Board of Directors

In 2017, a project to identify Risk Appetite in Türk Telekom and all Group companies was initiated.

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

Furthermore, in another project initiated in 2017, studies to determine risk appetite in Türk Telekom and all Group companies started. This study targets to determine the Risk Appetite for the 13 main risk categories identified, to ensure that managers can act flexibly within set limits, thus avoiding time loss due to unnecessary approval mechanisms, and preventing senior managers from acting based upon their personal risk appetite.

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

The Early Identification and Management of Risks Committee effectively fulfilled all of the duties described in the related regulation. The Committee convened six times in 2017 and effectively analyzed the identified risks, notified the Board of Directors about significant risks, provided the necessary resources for the efficient performance of the Corporate Risk Management function, and provided coordination between Corporate Risk Management, Internal Audit and other functions.

### **Assessment of the Board of Directors on Corporate Governance Committee Activities**

The Corporate Governance Committee effectively fulfilled all of the duties described in the related regulation. It convened four times in 2017 to monitor the annual Corporate Governance Rating process and make assessments, and supervised the preparation of the Corporate Governance Principles Compliance Report, which is part of the annual report, and submitted it to the Board of Directors.

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

The necessary internal control environment was created within the Company for achieving strategic objectives, ensuring operational efficiency and productivity, assuring the credibility and accuracy of financial data, protecting customers' personal information and Company assets, and ensuring compliance with laws, regulations, policies and procedures.

The Türk Telekom Internal Audit Unit was established to assess the effectiveness of risk management, internal control, legal compliance and governance processes at Türk Telekom and all Group companies, so as to provide an independent and unbiased assurance and consultancy service. In order to perform its activities in an independent and objective manner, the Internal Audit Unit reports directly to the Audit Committee, a component of the Board of Directors, in line with authority and responsibilities based on principles approved by the Board.

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

The Unit operates in line with International Internal Audit Standards. In this respect, as a result of the quality assessment work carried out by an independent organization in 2017, it was confirmed that Türk Telekom's Internal Audit Unit carries out its activities in accordance with International Internal Audit Standards.

The Unit attaches importance to the professional competence and development of its employees, encouraging them to obtain certificates of international validity. Accordingly, the majority of the Unit's auditors hold internationally recognized certificates such as CIA (Certified Internal Auditor), CISA (Certified Information Systems Auditor), CFE (Certified Fraud Examiner) and SMMM (Independent Accountant and Financial Advisor). According to their respective areas of expertise, audit teams perform audits related to finance, operations, IT and compliance.

#### **Assessment of the Board of Directors on Audit Committee Activities**

The Audit Committee was set up upon the Board of Directors' resolution dated June 16, 2008, pursuant to the Capital Markets Board's Corporate Governance Communiqué (II-17.1), Article 4.5.1. The Audit Committee was created to support the Board of Directors in the fulfillment of supervisory duties, including monitoring the accuracy of the Company's financial reporting process, internal control systems, as well as compliance with laws, regulations and in-house rules, and to perform any other issues within its responsibilities delegated to it by the Board. The Committee acts in line with the authorities and responsibilities assigned to it by the Board of Directors, and reports to the Board.

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

The Committee convenes at least once every three months and at least four of the meetings take place prior to the public disclosure of financial statements; the Committee may convene more frequently if deemed necessary. The Board of Directors is kept informed about the Committee's meetings and activities.

Audit Committee operates in accordance with the Audit Committee Charter approved by the Board of Directors. The Audit Committee effectively fulfills the duties assigned to it in the framework of the charter.

Some of the Committee's activities carried out in line with the referenced regulation include:

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

# The Board of Directors

## **Mohammed Hariri (1958)**

### *Chairman of the Board of Directors*

Mohammed Hariri is the Chairman of the Board of Directors of Türk Telekomünikasyon A.Ş. He is also the Chairman of TTNET, Avea İletişim Hizmetleri A.Ş., and Oger Telekomünikasyon A.Ş. in Turkey and Oger Telecom Limited in Dubai. Mr. Hariri also serves as the Chairman of Bankmed S.A.L. and its subsidiaries in Beirut and Geneva, Al Mal Investment (Holding) in Beirut, and GroupMed International Holding Ltd. in Dubai. He is a Member of the Board of Directors of Association des Banques du Liban. Mr. Hariri has more than 35 years in the management of Hariri Group companies in the fields of Banking and Finance, Telecommunication, and Investment. He was previously the Chairman of GroupMed (Holding) from 2005 until 2017. He also served as the Chairman of Cell C, South Africa between 2013 through 2017. Mr. Hariri had served as a Board Member at various insurance and telecommunication companies as well as other companies in the field of finance and international investment. He was a Member of the Board of Directors of Arab Bank PLC, Jordan, and a Member of Deutsche Bank PWM Middle East and Africa Advisory Board. Elected as a Member of the Board of Directors of Türk Telekom in November 2005 and he has been serving as the Chairman of the Board since April 2008.

## **Fuat Oktay (1964)**

### *Independent Board Member, Vice Chairman of the Board of Directors*

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

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

## **Abdullah Tivnikli (1959)**

### *Member of the Board of Directors*

After earning his B.S. in Mechanical Engineering from Istanbul Technical University, Abdullah Tivnikli completed an MBA at the same university. Following an invitation by the public authority involved in participation banking to develop the legal infrastructure for Turkey's participation banking model in Turkey, he actively took part in the establishment of Albaraka Türk Participation Bank. He has been a Member and subsequently the Vice Chairman of the Board of Directors of Kuveyt Türk Participation Bank between 1989-2015. He is currently the Chairman of Board of Directors of Eksim Group and serving as a Board Member of Türk Telekom and Member of the Executive Committee. Tivnikli is also a Board Member at some of the Group Companies of Türk Telekom.

**Cenk Serdar (1968)***Member of the Board of Directors*

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

**Fahri Kasırğa (1953)***Independent Board Member*

Kasırğa graduated from Istanbul KabataŖ Erkek High School, after completing his primary and secondary education in Çayeli-Rize. After graduating from Istanbul University Faculty of Law in 1977, he started his internship as a judge candidate at Rize in 1978, then in August, 1979 he was accepted as Hopa Public Prosecutor. In December 1979, he left his job to fulfill his national service. He returned to service as Erzurum-Olur Deputy Public Prosecutor and served as Public Prosecutor of Trabzon-Çaykara, Sakarya-Karasu and Chief Public

Prosecutor of Ordu-Fatsa, Diyarbakır, Kocaeli respectively. In December 26, 2001 he was appointed as Ankara Chief Public Prosecutor, while he was performing this duty, he was appointed as Undersecretary of Ministry of Justice in October 3, 2010. Due to the 2007 General Elections, he was appointed as Minister of Justice and served as Minister of Justice between May 8, 2007 and August 29, 2007. Then he returned back to his duty of Undersecretary of Ministry of Justice. After performing this assignment about 1 year more, he was appointed to Prime Ministry High Counselor in July 18, 2008. Served as Undersecretariat to Prime Ministry between January 20, 2014 and September 11, 2014, he currently serves as Presidential Secretary-General. Kasırğa is married with two children.

**Hakam Kanafani (1965)***Member of the Board of Directors*

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

## The Board of Directors

### **İbrahim Eren (1980)**

#### *Independent Board Member*

İbrahim Eren graduated from Boğaziçi University International Relations and Political Science Department. During early stages of his career he worked for different companies in cultural and art areas, and he later undertook producer roles for many programs including national and international documentaries, animations and advertisements in media production sector. İbrahim Eren started to work for ATV, under the Turkuvaz Medya Group in 2008. After he worked as ATV England representative, starting from 2010 he first carried the role of ATV Europe General Manager and then ATV Assistant General Manager. Eren, who has master degree from Westminster University Media Management in London served as Deputy General Manager of Turkish Radio and Television (TRT) starting from July 2013, and was appointed as general manager of the institution in July 2017. He serves as chairman of Joint Industry Committee for television industry TIAK A.Ş. and Director of International Emmy. İbrahim Eren is married with 3 children.

### **Mazen Abou Chakra (1976)**

#### *Member of the Board of Directors*

Mazen Abou Chakra serves as Non-Executive Member of the Board of Directors of Oger Telecom Limited. He is also Member of the Board of Directors of 3C Telecommunications PTY Limited. Mr. Abou Chakra began his career as a trainee at the law firm of DePardieu Brocas & Maffei in Paris before moving to the law firm of Shearman & Sterling (Paris Office). Prior to joining Oger Telecom, he served as an associate at Nabil Abdel-Malek Law Offices in Beirut. Mr. Abou Chakra is admitted to the Beirut Bar Association and holds a degree (Maitrise) in Law from Saint Joseph University in Beirut, a Masters in International Business Law from Paris I-Sorbonne University in Paris, a Master in Business Administration from London Business School and a Master in Business Administration from Columbia University in New York.

### **Nasser Sulaiman A Al Nasser (1972)**

#### *Member of the Board of Directors*

Mr. Al Nasser has a bachelor's degree in electrical engineering and vast experience in the telecommunications sector. Throughout his career, which started in the late 1990's, Mr. Al Nasser played an active role in STC GSM network expansions across the Kingdom. He then worked during the period between 2003-2007 at Communications and Information Technologies Commission as the General Manager of Technical Standards and Numbering, where he also headed other committees related to market regulation and liberalization. Subsequently, Mr. Al Nasser joined Etihad Etisalat (Mobily) and became the Chief Operations Officer. On March 2015 Mr. Al Nasser Joined STC as Senior Vice President for Technology and Operation. On January 2018, he has been appointed as STC Chief Operating Officer. He held several board membership and currently is the Chairman of STCS which is the IT subsidiary of STC.

### **Rami Aslan (1972)**

#### *Member of the Board of Directors*

Rami Aslan is the Member of the Executive Committee and the Board of Directors of Türk Telekom. He serves on the Boards of Türk Telekom Group's broadband communications and mobile companies "TTNET" and "AVEA".

After obtaining his Bachelor degree with a major in Management Information Systems from McGill University in Canada and working for a few years in the IT sector in Ontario, Canada, Mr. Aslan pursued his studies and obtained his MBA degree at McGill in 1997 and later joined TD Bank of Canada Corporate Banking Division covering the Information Technology and Telecommunications Sector. He later joined Citigroup where he worked mainly covering the sector out of London, and later Bahrain and Dubai. Mr. Aslan joined the Dubai based Oger Group in 2005. During his eleven years with Oger, Mr. Aslan oversaw the share transfer period following the privatization of Türk Telekom in November 2005 and has later taken the helm of the CEO and Executive Board Member of Oger Telecom Ltd. in Dubai. In 2013, Mr. Aslan took over the Türk Telekom Group CEO role and embarked on major transformation and integration initiatives in the Türk Telekom Group Companies. Mr. Aslan resigned from his CEO position as of August 31, 2016 and continues to serve on the Executive Committee and the Board.

**Suat Hayri Aka (1960)***Member of the Board of Directors*

Mr. Aka is the Undersecretary of the Ministry of Transport, Maritime Affairs and Communications of the Republic of Turkey. He graduated from Istanbul Technical University, Maritime Faculty with a Bsc Degree in Nautical Sciences in 1982. He has got his Msc. degree in the field of Shipping & Port Administration in 1990 at the World Maritime University (WMU), Malmö, Sweden. He started his career at Turkish Cargo Lines as a captain, left his office at the public sector in 1991 and worked at various managerial positions in private sector in a diverse array of maritime sector branches such as operating ships, ship management, dry cargo chartering and sale and purchase of ships, ship building, various port services, consultancy and surveying services, marine insurance services in Turkey. As of 1994, he lectured at the Faculty of Naval Architecture and Maritime Engineering at Istanbul Technical University on Ship Management and Maritime Economics for 12 years. He was appointed as the Deputy Undersecretary of the Ministry of Transport and Communications of the Republic of Turkey in 2006 and held office until June 2014. During his term of office as Deputy Undersecretary, he was responsible for Aviation, Maritime Sector and related institutions, as well as Foreign Relations and EU negotiations. As Deputy Undersecretary, he was also EU permanent contact point and worked as the President of IPA Operational Program. He took charge in Izmir EXPO 2020 Project Management Board and International Transport Forum Transport Management Board as the representative of the Ministry. He was member of the Board of Directors at AVEA Communication Services A.S. from 2007 to 2014. He was awarded with Honorary Outstanding Alumnus award by World Maritime University in Malmö in 2015. Mr. Aka was assigned as the Deputy Undersecretary of Ministry of Transport, Maritime Affairs and Communications in December 2015, then he was appointed as the Undersecretary of Ministry of Transport, Maritime Affairs and Communications on 26 August 2016. He is married with 2 children and has good command of English.

**Yiğit Bulut (1972)***Independent Board Member*

Chief Advisor of President, Economist, Financial Analyst, Banker, Journalist, Columnist. He worked as economy commentator in Kanal 6, Kanal E and CNN Turk and columnist in Radikal, Vatan, Referans and Haberturk. He was the producer and the presenter of Parametre and Finans Analiz TV programs. He also worked as a teaching assistant in Doğuş University. Between 2009 and 2012, he was the Chief Production Director of Haberturk TV, economy commentator in Bloomberg TR and columnist in Haberturk Newspaper. Between 2012 and 2013, he was the Chief Production Director of 24 TV and columnist in Star Newspaper. He continued to present the TV discussion program “Sansürsüz” in TV 24, transferring from Haberturk TV. He has served as the Prime Minister’s Chief Advisor between July, 2013 and August 2014 and has been serving as Chief Advisor of President since August 2014. He was graduated from Galatasaray High School and Bilkent University, Faculty of Banking and Finance. He studied for master degree in Sorbonne University. He speaks English and French.

# Board Committees

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

## **Audit Committee**

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

## **Corporate Governance Committee**

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

## **Early Identification and Management of Risks Committee**

Independent Board Member Yiğit Bulut is the Chairman of the Early Detection and Management of Risks Committee, while Non-executive Board Members Mazen Abou Chakra and Cenk Serdar serve as Committee Members.

## **Executive Committee**

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

# Statutory Audit Board

## **İsmail Kartal (1964)**

### *Statutory Audit Board Member*

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

## **Ali Polat (1972)**

### *Statutory Audit Board Member*

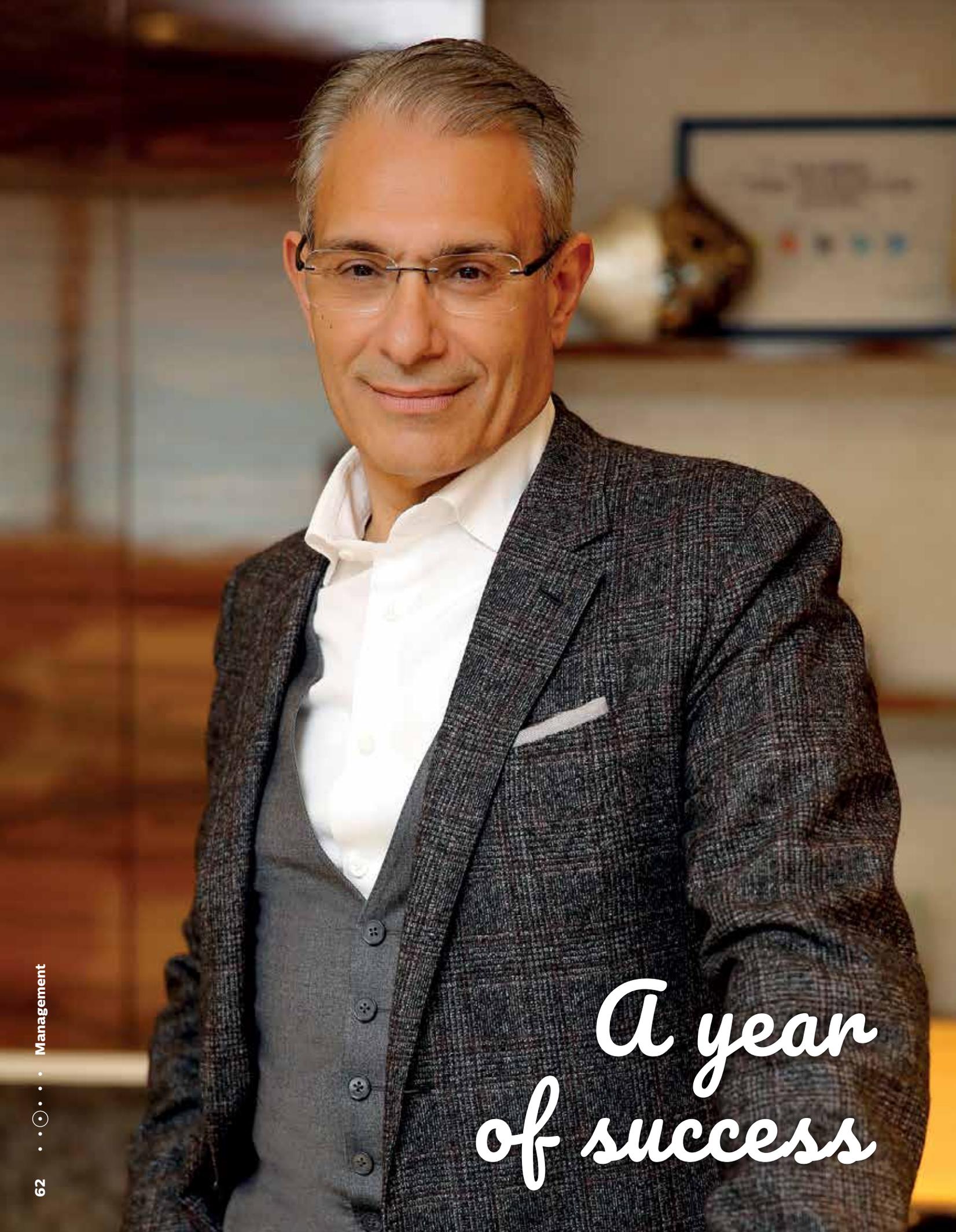
Ali Polat was born in Elbistan, Kahramanmaraş. He was graduated from İstanbul University Department of Public Finance in 1997. He completed his MA degree at Marmara University Banking and Insurance Institute in 2000, and

his Ph.D. at the same Institute in 2007. As he was studying his MA and Ph.D., he worked at the foreign transactions and international banking departments in Faisal Finans Kurumu A.Ş., Family Finans Kurumu A.Ş. and Türkiye Finans Kurumu A.Ş. During his banking career, he worked at Finance Department in F-Secure in 2001, a global security software company in San Jose, California. In 2009, he had a break in his 9 years banking career and started to work as Assistant Professor in Management Faculty at the King Saud University at the same year. Between April 2009 and August 2014, he lectured in banking and finance for bachelor and graduate degrees and researched in these topics. He has published articles in national and international journals and copyright books. As of September 2014, he was assigned as Principal Consultant of Prime Ministry and still occupies the same position. He is married and has 3 children. He speaks English.

## **Salih Orakçı (1964)**

### *Statutory Audit Board Member*

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



*A year  
of success*

## CEO Message

In terms of operational excellence, 2017 was the year that we focused on perfecting our core business.

### **Türk Telekom is working non-stop to connect Turkey to the future**

Türk Telekom, Turkey's leading information and communication technologies company, completed 2017 with record-high historical topline growth, subscriber gain and EBITDA improvement. Accordingly, we posted 12.6% year-over-year topline growth, 2.8 million net subscriber addition and 18.0% year-over-year EBITDA improvement in 2017 - all record high figures since the IPO in 2008. These records are the result of our top-notch quality offerings to our clients on the basis of Türk Telekom's unique brand unification strategy, newly initiated customer experience program, which we refer to as 'EMPATHY'; and successful execution of the efficiency programs that we have put in place across all the units throughout 2017.

2017 was a 'ramp-up' year for Türk Telekom in the sense that we have started to reap the benefits of our unified brand strategy that we had introduced in 2016, on top of which we have added 3 main areas of focus. These are; operational excellence, EMPATHY Program - the journey of carrying customer experience to perfection, and breakthrough local and national technologies that we are designing for the World.

### **2017: The year of excellence in core operations**

In terms of operational excellence, 2017 was the year that we focused on perfecting our core business. Our results also prove the soundness of the good strategies that we have taken, solid execution done and efforts put in from all levels in the company. As Türk Telekom, we believe it is our mission to offer a sustainable development to Turkish economy with the wider usage of broadband throughout the nation. We have proudly laid out and are managing the largest fiber network in Turkey with 256 thousand kilometers. In addition to that, Türk Telekom became the first information and communication technologies company in Turkey that had supported "No Home Without Internet" campaign initiated by the Ministry of Transport, Maritime Affairs and Communications with the aim of increasing internet penetration in Turkey to the levels of EU averages along with the vision of bridging the

digital divide across the nation and introduced 'Internet Bizden' campaign. In the meantime, we also continued our focus on high data & speed broadband package offerings. Thanks to this vision and efforts, the number of broadband subscribers have gone up by 1.1 million in 2017 - a significant jump compared to the previous years. In addition to the success at the broadband strategy, our Pay TV product Tivibu - which is the only Pay TV option in Turkey offering strong and rich television experience in all platforms including IPTV, satellite, smart devices, web and Smart TV - has gone up to the second position in its market with 728 thousand subscriber addition, thereby reaching 2.7 million total subscribers. This success stems from Tivibu offering its clients a rich content with advanced broadcasting and platform features at strategically affordable prices as well as from the self-installation feature introduced this year. In the future, we see TV segment as one of our biggest growth areas and a significant contributor to our macro strategy.

In 2017, as part of our operational excellence vision, we have also executed an organizational streamlining process in which we have streamlined the managerial levels for a faster and better execution. Moreover, we have successfully implemented an efficiency program across the company. In return, we have seen a 1.6 pps jump in EBITDA margin y-o-y and 18% y-o-y increase in EBITDA, marking the highest increase since the IPO, which is at the higher end of our annual guidance for the full year.

Our successful financial and operational performance are also recognized by international independent institutions. Accordingly, Brand Finance awarded Türk Telekom as Turkey's most valuable brand for 8<sup>th</sup> time in June 2017 on top of listing as Turkey's 'Most Valuable Telecommunications Brand' for 9 years at their 'Telecoms 500' list. Furthermore, S&P Global Ratings reiterated Türk Telekom's corporate credit rating as 'BBB- investment grade' in December 2017 along with Fitch Ratings' affirmation of our Company's Long-term Foreign and Local Currency Issuer Default Ratings with 'BBB- investment grade' in September 2017.

With EMPATHY, each one of the 34,502 Türk Telekom employees will all provide end-to-end “Excellence in Customer Experience” on our way to become the most favorable company.

As Türk Telekom, it is our priority to offer technological products & services that are designed to make people's lives easier and more comfortable. In other words, to us, technology is a tool to enable people to reach their dream and their full potential. As such, we have redesigned our communication language to remind each and every customer or potential customer of us that they all have an amazing potential in themselves and the technology we provide is available for them to reach their dream. Türk Telekom is the brand to take Turkey forward and with our “Just Dream It” campaign, we are just reminding every citizen that we are at their service to support them.

Apart from the products & services we provide to the mass, we are also constantly increasing and differentiating our product & service portfolio for our corporate clients. Türk Telekom is proudly serving all companies ranked on Top 500 Turkey list and providing them with digital solutions to have them fit in the 4<sup>th</sup> Industrial Revolution. Accordingly, in 2017, we have collaborated with the world's most important institutions like GE Digital and SAP to provide solutions to corporations and SMEs ranging from assessing their digital maturity level to custom-made technological products in order to have them ladder up in competition. To us, Digital Industrial Revolution a.k.a 4<sup>th</sup> Industrial Revolution plays a crucial role in the country's development and Türk Telekom will always be open to similar collaborations to bring further value for both the investors, corporate clients, hence for Turkey.

### 2017: The year of excellence in customer experience

Another very critical focus of area for us in 2017 is improving customer experience with Türk Telekom. Apart from all the customer-centric initiatives we have taken since the brand unification in 2016, in August 2017, we have also kicked the EMPATHY program, which we define as the journey of carrying customer experience to perfection. We have set specific KPIs for every field, business unit and region across the company to move up

the customer satisfaction with us. With EMPATHY, each one of the 34,502 Türk Telekom employees will all provide end-to-end “Excellence in Customer Experience” on our way to become the most favorable company. Despite the fact that the program has been active for a very short period of time, we have begun to receive considerable results in the short period from August to the end of 2017. Accordingly, the rate of client problem resolution at the first call showed a significant increase in this short period of time.

Additionally, in the beginning of 2018, we have launched new Türk Telekom Customer Centers - which we developed together with our subsidiary Innova - in which we have started to make a big transformation in our offices across the country. From now on, Türk Telekom Customer Centers will be smart offices, thereby further contributing to customer satisfaction.

### 2017: The year of designing local and national technologies for the use of entire World

For Türk Telekom, 2017 was a period of accelerated innovation and new product launches. In this period, we designed the platform-specific national digital keyboard Tambu, which we have developed with the mission of increasing the use of domestic and national technology. Named after the motto of “This is exactly what we are looking for”, Tambu opens the doors of a new era for expressing oneself in the digital environment. Tambu, with platform capabilities, includes many features such as animated stickers, GIFs, customizable backgrounds and themes, a learning keyboard, translation in more than 100 languages, fast access to proverbs, location sharing via maps, location based content, turning speech into text, texting by sliding your finger and the personal dictionary. It is our proud to see the result of a correct strategy and successful implementation as the number of downloads of the Tambu in such a short period of time - only three months after its launch - has reached 4.5 million.

In 2017, we have also become a proud partner of Open Networking Foundation (ONF) and Open Network Automation Platform (ONAP) hence now in the kitchen of technological developments for the benefit of the entire World. ONF is regarded as the Champions League of world telecoms sector with the projects it has realized so far as well as in terms of its members. ONAP, on the other hand, is a Linux Trust project that combines leading operators and technology suppliers on a global scale. Becoming a partner member to such world leagues will add benefit to both our company and to our country. Türk Telekom's membership to the ONF and ONAP will contribute greatly to our country's goals of increasing and exporting domestic and national technology production. Our teams will not only be building new technologies for 5G, SDN and NFV but also will share our know-how and also make use of their best practices as well.

In addition, our wholly owned R&D company Argela is continuously working towards the goal of becoming a research, development and innovation center for 5G Enabling and Wireless Access technologies. In 2017, "Netsia", which is Argela's US subsidiary, installed their "RAN Slicing" technology in Orange, Verizon and also shortly after in Telefonica. Netsia is actively working on programmable Software-Defined Radio Access Network Virtualization for 5G (i.e., ProgRAN). ProgRAN virtualizes the wireless channel resources, as well as the radio resource management modules, in base stations, allowing a remote controller to "slice the network" into multiple virtual sub-networks. The virtual Private LTE platform works in a programmable way to effectively perform network slicing at radio resource level.

In 2017, we have also contributed to Turkey in such a way that Argela has opened the first 5G Center of Excellence to gather universities, research institutions and the ecosystem in order to develop local and national technologies in 5G area. 5G Center of Excellence - a first in Turkey to integrate, test and demonstrate our achievements and services in real communication networks. This center will be a direct gateway to international markets, laboratories, operators and vendors both to follow the state-of-the-art technologies closely and to advertise our achievements to the international community. I also believe this center will be a milestone for Turkey in becoming a technology-producer and exporter country in the future.

At Türk Telekom, we have shifted our gears towards becoming a resourceful R&D house to contribute greatly to our country's goals of increasing and exporting domestic and national technology production. As we have done in the past years, we will proudly continue to carry Turkey forward.

### **Türk Telekom is working non-stop to connect Turkey to the future**

As Türk Telekom, we have shown our faith in Turkey's future, the position and growth potential of the company by preparing a 5 year strategic plan. First, we will continue to grow profitably in the mass market via utilizing our footprint in our core segments like internet, mobile and Pay TV. Second, we will continue to extract new efficiency areas within our operations. Third, we will expand the EMPATHY program and bring the satisfaction level of our 41.7 million subscribers to the highest level possible. Finally, as the digital transformation enabler of Turkey, we will increase our digital product & service offerings and add exciting new projects following the vision we have set with Tambu.

The internet has a key role in achieving the development attack that Turkey aims for. In this context, we will focus more on growing fixed broadband in the mass market. Türk Telekom is in quite an advantageous position with the existing internet and infrastructure investments covering over 98% of Turkey. Thus, we are entering a period of more rapid growth in internet and mobile. By using our existing infrastructure, we aim to deliver internet service to more homes in more affordable conditions. We also see the mobile market as an important growth area for us. By offering the opportunity to become a Tivibu member at affordable prices to our mobile subscriptions, we are aiming to increase our market share in both mobile and in TV market. Pay TV is an under penetrated segment and it represents an attractive growth opportunity for Türk Telekom to better penetrate to what we call 'wireless' households, whose future data needs may be more cost-effectively met by wireless broadband, with entertainment delivered over satellite.

Türk Telekom places considerable importance to entrepreneurship, as we believe it is the most crucial driver & enabler of innovation and value creation for telecom operators in this new era of disruption.

In today's ever-changing world, we see smaller and more agile companies moving quickly to build new technologies. Therefore, Türk Telekom places considerable importance to entrepreneurship, as we believe it is the most crucial driver & enabler of innovation and value creation for telecom operators in this new era of disruption. On top of the PILOT program, which is the first start-up accelerator program run by a private company in Turkey, in early 2018, we have also established TT Ventures - Corporate Venture Capital company, a first in the telecommunications industry in Turkey. Now with this company, Türk Telekom will invest in and become partners with start-up and/or mid-level enterprises that have the potential to grow and that have proven their own business models. This development is exciting, because as such, small companies will grow, thereby adding value to Türk Telekom, and will also have an important combined leverage effect on the country's economy. TT Ventures will become partner with small enterprises with capital support and its own resources including Türk Telekom's technical infrastructure, its distribution channels, subscriber base, marketing power and know-how. Support will be given to various new ideas with a bright future in the forthcoming period with important 'verticals', as well as some differentiated 'horizontal'.

Looking ahead, we will again be at the heart of innovation, simplicity and digital transformation. We are working non-stop to improve the life standards of our customers, to master the fourth Industrial Revolution in support to prosper businesses, create value for our stakeholders and connect Turkey to the future. As a final note, Turkey has now switched to a unified taxation for telecom services as of January 1<sup>st</sup> 2018. I would like to extend my gratitude to the sector authorities for a more clear and transparent tax regime for all stakeholders of the Turkish telecom sector.

I am proud of the honest and loyal work of our 34,502 employees working at every corner of Turkey to deliver better results for all the stakeholders. I would like to thank every single one of them, whose heart is beating for Türk Telekom and for Turkey.



**Dr. Paul Doany**  
CEO  
(Customer Experience Officer)

# Türk Telekom Group Senior Management

## **Dr. Paul (Boulos H.B.) Doany** **CEO - General Manager**

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

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

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

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

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

## **Şükrü Kutlu** **Human Resources, Regulation and Support Assistant General Manager**

Şükrü Kutlu graduated from the Faculty of Law, Ankara University in 1991. Afterwards he completed his Master's Degree in Department of Private Law, Gazi University with a thesis subjected "Interconnection Contracts in Telecommunication".

He started his career in 1992 as an Assistant Auditor in the Court of Accounts and during this period, he continued his career by serving as Auditor and Lead Auditor at head office and undertaking the on-site audits carried out in the related institutions of the Court of Accounts. In 2003, he started to work at Türk Telekom as Human Resources, Regulation and Support Assistant General Manager President for a period of 12 years. Between February 2015 and April 2016 he served as Board Member and General Director of Gübretaş T.A.Ş. Mr. Kutlu holds Attorney, Notary Licenses and Public Accountant Certification.

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

## **Kaan Aktan** **Finance Assistant General Manager**

Kaan Aktan, after Galatasaray High School, graduated from Boğaziçi University, Economics in 1995.

He started his career at Anadolu Group. He worked in PepsiCo-Pepsi Bottling Group Turkey Operation in 2002 and subsequently worked at Texas Pacific Group Investment Fund Turkey Asset Management companies as finance manager since 2007. He joined Türk Telekom in 2010 as Director of Financial Projects. He was appointed as TTNET CFO in March 2013. From September to December 2014, in addition to his existing responsibilities, Mr. Aktan acted as Deputy CEO of TTNET. Kaan Aktan served as Consumer Segment CFO between 2015 and November 2016, and also acted as Deputy General Manager of AssisTT between August 2016 and February 2017.

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

### **Cengiz Doğan**

#### **Technology Assistant General Manager**

Cengiz Doğan graduated from the Electrical and Electronics Engineering, Computer and Communication department of the Middle East Technical University in 1987.

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

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

### **Hakan Dursun**

#### **Marketing Assistant General Manager**

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

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

Having put his signature to many important projects in different industries such as finance, energy and banking, Hakan Dursun then continued his consulting career in Booz Allen Hamilton and Delta Partners between 2005 and 2008 in Turkey and the Middle East. Following his consulting career, Hakan Dursun assumed the regional director role in charge of Turkey and the Mediterranean countries at British Telecom (BT), and throughout his executive career, he has carried out many successful projects and partnerships in the strategy, transformation, technology and commercial fields with the leading telecommunication operators in the region.

Mr. Dursun joined Türk Telekom Group as the Advisor to Türk Telekom Group CEO in 2011 and held the Strategy and Business Development Assistant General Manager position between 2014 and 2016. Subsequently, Dursun held performed the role of Türk Telekom Consumer Marketing Officer between March-December 2016.

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

### **Firat Yaman Er**

#### **Strategy, Planning and Business Development Assistant General Manager**

Firat Yaman Er graduated with a Bachelor's degree from Boğaziçi University in 1997 and earned his MBA degree from San Francisco State University in 2011.

Mr. Er started his carrier at Dogan Holding in 1997. Afterwards, joined Aria Communication Services where he played an active role in the merger of Aria and Aycell. He continued his role in Avea after the merger. In 2008, he started to work as Business Planning Director at Oger Telecom. In 2011, he was appointed as Assistant General Manager responsible for Business Planning at Oger Telecom.

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

### **Ümit Önal**

#### **Sales and Customer Care Assistant General Manager**

Ümit Önal graduated from Istanbul University Faculty of Communication, the Department of Public Relations and Advertising in 1994. He then assumed a managerial position in Turkey's leading media organizations in the fields of advertising, production, content/publishing/ advertising. In 2007, Önal joined Turkuvas Group, first serving as General Manager of ATV and later as Advertising President and Member of the Executive Committee for all Group brands until 2014. Between 2014 and 2015, he served as the General Manager at Show TV. Then, between 2015 and 2016, he served as the General Manager, the Managing Director and the Chairman of Executive Board at Digitürk. At the same time, he played an active role during the handover phase (SDIF process).

Having more than 20 years of experience in the media sector, Ümit Önal has had the opportunity to be a part of the media transformation in Turkey, and has played an active role in sectoral associations throughout his career. He served as the Chairman of the Board of TIAK (Television Audience Research Committee), and played a role on the Board Committee of TVYD (Television Broadcasting Association).

Ümit Önal has been serving as Assistant General Manager (under TTNET) of Sales and Customer Care at Türk Telekom since December 2016.

**Av. Yakup Öztunç**  
**Legal Assistant General Manager**

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

Mr. Öztunç was responsible for adapting the “Bad Debt Tracking System” to developing technology and changing legislation. Within this frame, he coordinated the process of making the Legal Monitoring System (I-Hope System) available to all Türk Telekom Group Companies. Since 2003, he provided legal assistance as a counsel of the Company regarding the Collective Bargaining agreement. Mr. Öztunç was a member of the License Coordination Committee, established to supervise the implementation of the Concession Agreement between Türk Telekom and the ICTA (2010 -2015). Additionally, he was a member of Türk Telekom Health and Social Aid Foundation between 2007-2012 and Türk Telekom Saving Foundation between 2011-2014. He also served as PTT Foundation Board Member between 2014-2016. As of 2017, he has again taken on a member position on the BoD of Türk Telekom Health and Social Aid Foundation. Also, he has recently been selected by Legal 500 (Legalease), a global ranking entity, for the GC Powerlist Turkey 2017 recognizing the most influential in-house counsels in Turkey.

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

**Yavuz Türkmen**  
**Head of Internal Audit**

Yavuz Türkmen graduated from Bilkent University, with high honors in Economics in 1995. He started his career at KPMG. He worked at Türk Hava Yolları between 2004 and 2006 as Financial Control Manager, and later in 2006 worked at a private chemical Company as Vice General Manager of Finance and Administrative Affairs. He joined Türk Telekom in 2007 as General Accounting Manager. Between 2009-2017, he served as Türk Telekom Financial Control Director and Türk Telekom Group Financial Control Director. During this period, he played an active role in the reorganization of the finance department and also took responsibility for many projects, each of which was first in their fields. Yavuz Türkmen holds CPA and Independent Auditor certification.

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

**Yavuz Yıldırım**  
**Wholesale Assistant General Manager**

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

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

# CEOs of Türk Telekom Group Companies

## **Aydın Ersöz** **İnnova CEO**

Upon graduation from Robert College in 1980, Mr. Ersöz received his BA in Electrical and Computer Engineering at Princeton University. He completed an MS at Stanford University in the same field in 1986.

He began working in Silicon Valley in the US. Starting in 1988, Mr. Ersöz held various positions at IBM Turkey for 5 years, followed by 5 years at Info Otomasyon A.Ş., a local SI, where he was General Manager for the last three years of his tenure.

Mr. Ersöz co-founded İnnova IT Solutions in 1999. Following the acquisition of İnnova by Türk Telekom in 2007, Mr. Ersöz has been serving as CEO of the company.

## **Ümit Atalay** **İnnova CEO**

Upon graduation from the Middle East Technical University department of Computer Engineering in 1984, Ümit Atalay began his professional career at ITT CR Systems in Denmark in 1985. Atalay held various positions at Alcatel in Germany and Bell Northern Research Company in the UK between 1989 and 1992.

On returning to Turkey in 1992 he began to work as the System Security Manager of Pamukbank. He worked as a Manager responsible for Public Operations at Otomasyon A.Ş. for five years from 1994. A founding partner of İnnova IT Solutions Inc., since 1999, Ümit Atalay has served as a Board member in the fields of public projects, large-scale projects and new technology development.

He has been serving as co-CEO of İnnova with Aydın Ersöz, since 2007.

## **Bülent Kaytaz** **Argela CEO**

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

In addition to his business activities, Bülent Kaytaz has served as a visiting lecturer in computer and communications engineering at Marmara University in Istanbul. In former roles, he had a five-year stint at Nortel and more than 10 years of experience at Alcatel, where he managed key software development projects in the areas of communications and internet in Belgium, Norway and Turkey. Mr. Kaytaz brings more than 25 years of design, development, business development and successful leadership experience in the field of telecommunications.

He later founded two companies in the telecom technology area and led the Innovation drive at both companies via intensive R&D activities. He founded Oksijen Technology, which was formerly a provider of intelligent networks and core infrastructure elements for wireless and wireline communications networks. Within three years of operation, the company brought considerable recognition to the global and Turkish telecommunications industries through strong regional business growth and worldwide visibility.

Bülent Kaytaz is the CEO and the founder of Argela, a Türk Telekom Company. He is also the founder of Netsia, a subsidiary of Argela active in 5G technologies.

**Mehmet Candan Toros**  
**Chairman of Türk Telekom International Group**  
**Management Board**

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

Implementation and introduction of DSL and broadband network/infrastructure nationwide was achieved under his leadership as Vice President of Technology (2003-2007). He also served as International & Wholesale Vice President of Türk Telekom between 2007 and 2012. He was a Member of the Management Board of Türk Telekom International between 2010 and 2015.

He is a seasoned professional with 28 years in telecommunication industry and also has experience in the management of Telco services & products in sales in nationwide, broadband technologies and the International Telco business. During his career, he has worked as an Engineer and Managing Director in the marketing and sales activities of the space arena, including satellite communication networks, domestic and international installation and management of TÜRKSAT satellites' orbital operations.

Mr. Toros worked as Coordinator (VP) of Türk Telekom in charge of Sectorial Relations & Project Management between December 2012 and November 2016. He was appointed as acting CEO of Türk Telekom International Group in November 2016. Mehmet Candan Toros has been serving as Chairman of the Türk Telekom International Group Management Board since December 2016.

**Yusuf Kırac**  
**Türk Telekom International General Manager**

Yusuf Kırac graduated in Electrical and Electronics Engineering from Hacettepe University in 1994.

Following his undergraduate studies, in 1996 he started working as a manager in planning and integration management at Siemens and Nokia Siemens Networks. Mr. Kırac started to work in Türk Telekom in 2008,

taking part in the team that carried out the successful transformation projects in Türk Telekom's All IP Architecture with Rural Transformation, Türk Telekom NGN and Fiber Transformation projects. In 2010, he assumed the role of Network Director and led many projects that gave profitability and capacity to Türk Telekom such as Fiberkentt, DWDM, MPLS, DC Conversion and TTVPN. In addition to his current role, he also chaired the NANI Working Group of ETNO, European Telecommunication Operators Organization, headquartered in Brussels, between 2010 and 2014. In his managerial role at ETNO, he worked closely with international organizations such as the European Commission, CoCom, ECC, ITU, ETSI, ICANN and RIPE for numbering and addressing issues; migrating from IPv4 to IPv6, number portability, and M2M's future strategies and policies. After the integration of Türk Telekom, Avea and TNet, he served as Core & Transport Network Director. Besides his current responsibilities, he has also been a board member of ESB (Access Providers Association) since 2015. Yusuf Kırac has been serving as Türk Telekom International General Manager since December 2016.

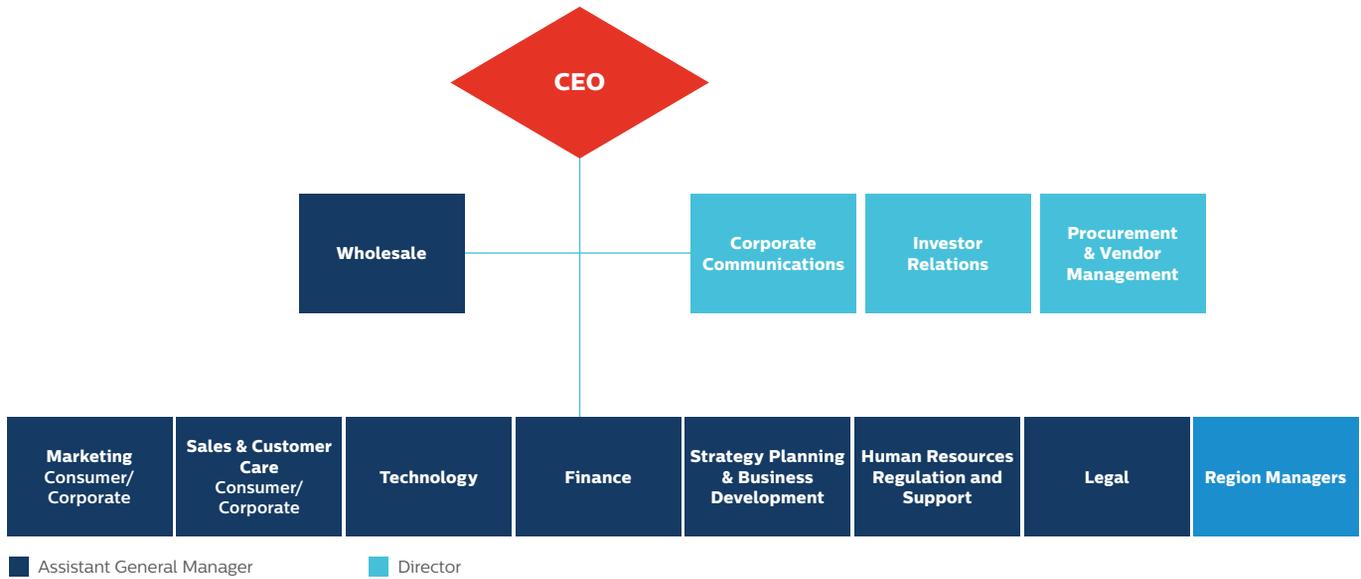
**Cemil Yıldırım**  
**AssisTT CEO**

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

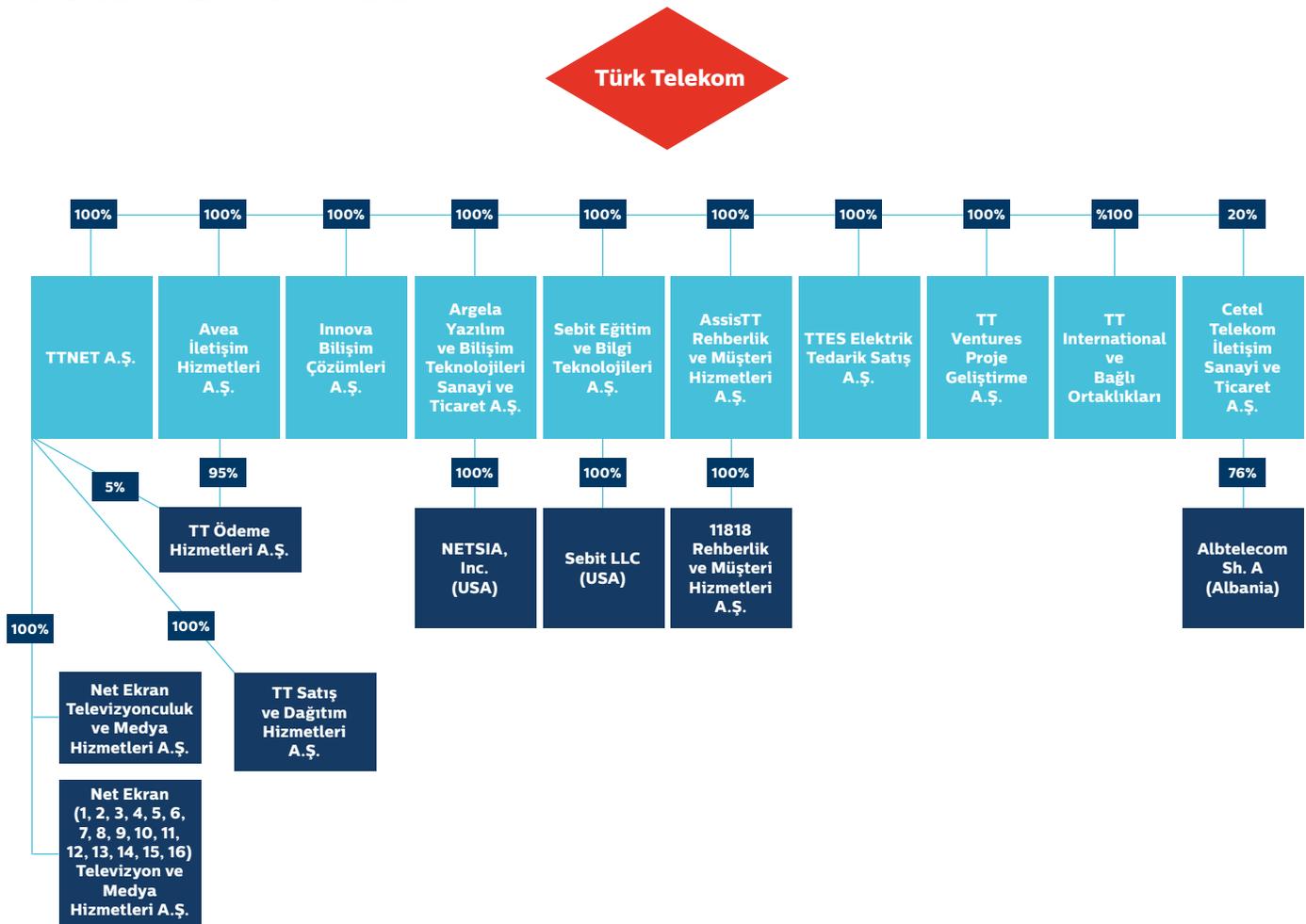
He worked as Accounting Supervisor at İzdaş Dış Ticaret A.Ş between 1987-1991, General Manager and Board Member at Atermit Sanayi ve Ticaret A.Ş between 1991-1996, Consultant to CEO at BELBİM A.Ş in 1997, Assistant General Manager and Acting General Manager at İSTAÇ A.Ş between 1997-2001, Assistant General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

Cemil Yıldırım has been serving as CEO at AssisTT since February 2017.

# Organizational Structure and Changes



# Subsidiaries and Affiliates

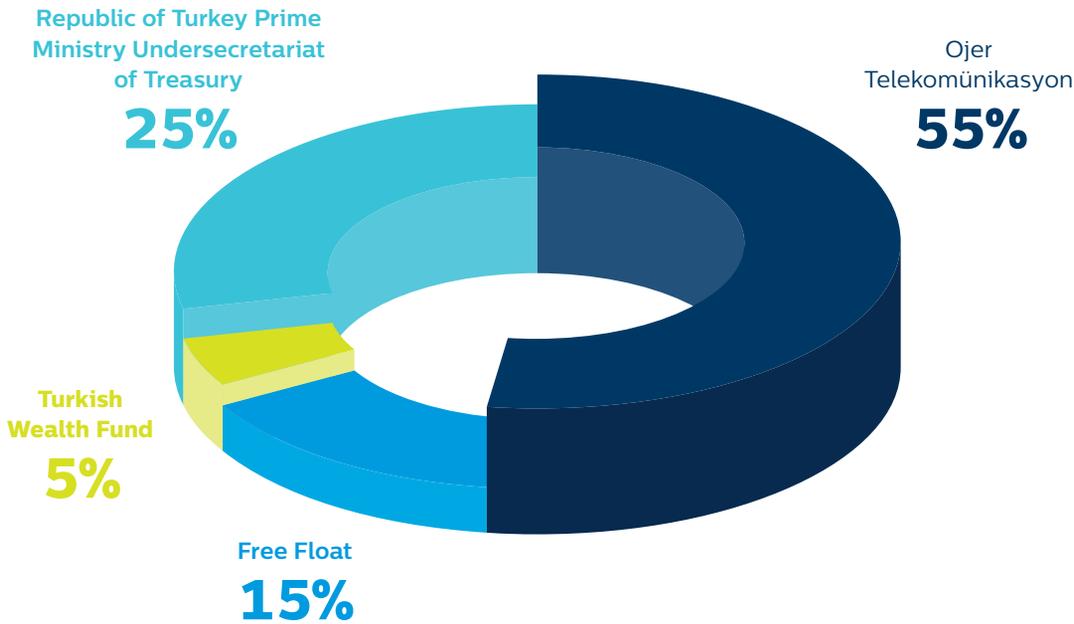


# Capital Structure and Changes

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

Türk Telekom is among Turkey's leading companies with its strong capital structure. Ojer Telekomünikasyon has 55% share, the Treasury 25% share, Turkish Wealth Fund 6.68% share (of which 1.68% in free float) in Türk Telekom, while 15% of the shares are public. As published in the Official Gazette on February 5, 2017, the Council of Ministers decided to transfer the 6.68% stake (5% Class B and 1.68% Class D shares) in the Company, held by the Undersecretariat of Treasury, to Turkish Wealth Fund and the share transfer was completed in 2017.

- The Turkish Treasury's Group B non-public share ownership is 25%, In addition, the Turkish Treasury owns a "Group C Golden Share" with a nominal price of TL 0.01.
- Ojer Telekomünikasyon A.Ş.'s non-public share ownership is 55%.
- B Class non-public share ownership of Turkish Wealth Fund is 5%,and D Class public share ownership is 1.68%.
- D Class public shares constitute 15% of total capital.





*Thinking big is not such a big deal in fact.*

Ege Tütüncü

During his education, Ege Tütüncü could not rein in his entrepreneurial spirit and switched to another university to study design. Because he wanted to set up a t-shirt brand. He initiated online sales; and even during his first year in the business started sending t-shirts all over Turkey, and even stepped into the US market. He drew the attention of large brands and now sells his products to the world.

*We grew  
continuously  
by thinking  
big for our  
country.*

The future lies in the internet,  
and we believe that internet  
must be accessible for all.  
To this end, we laid a fiber  
network of thousands of  
kilometers across  
81 cities.



## Sector Overview

In order to support fixed broadband penetration in Turkey, Türk Telekom launched “Internet on Us/İnternet Bizden” campaign.

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

The state-of-the-art mobile technology drive continues at full speed via LTE authorizations, while mobile penetration increase continues steadily.

The growth potential is increasing due to the favorable demographics with a young population, whose technology and internet literacy rises continuously.

There are 460 enterprises operating in the Turkish electronic communication sector, and 812 authorizations have been granted as of November 2017.

The net sales revenues of Türk Telekom and mobile operators reached TL 10.1 billion in the third quarter of 2017.

### Fixed Voice Market

As of the third quarter of 2017, fixed voice penetration rose 0.1 percentage points to 13.8%, with 11 million subscribers. After a long pause, there was an increase in fixed voice subscribers on a quarterly basis, with their number rising from 10.97 million in the second quarter of 2017 to 11.05 million in the third. Considering that the average household size in Turkey is 3.6, it can be concluded that fixed voice services are used by a significant portion of the population.



### Broadband Market

The Turkish broadband market has grown from only 6 million subscribers in 2008 to 67.9 million subscribers as of the third quarter of 2017. The number of broadband users rose 14.9% year on year and 2.3% quarter on quarter in the third quarter 2017.

In the broadband market as of the third quarter of 2017, there were 56.5 million mobile broadband subscribers and 11.4 million fixed broadband subscribers. In terms of average data usage per subscriber, the fixed broadband segment led the way with monthly usage of 87.2GB, while mobile broadband usage was 3.2GB.

Source: ICTA Q3'17 Market Data Report

In order to support higher fixed broadband penetration in Turkey, Türk Telekom offers entry-level 4 Mbps\* 20GB packages.

There are 11.4 million subscribers in the fixed broadband segment, which is comprised of xDSL, fiber and cable internet users. While this segment is dominated by xDSL technology, there is a striking increase in the number of fiber subscribers. The number of fiber subscribers reached almost 2.2 million as of the third quarter of 2017.

The population penetration rate in the Turkish fixed broadband market as of September 2017 was 10.4% for DSL and 1% for cable. By increasing fixed broadband population penetration via investments in fiber, Turkey has strengthened its position among OECD countries compared to previous years.

Operators have rapidly expanded high-speed internet coverage in Turkey by boosting their investments particularly in fiber network. As of the third quarter of 2017, Türk Telekom has the country's most extensive fiber infrastructure with its 246 thousand km network across all 81 provinces. Türk Telekom holds 79% of total existing fiber infrastructure in Turkey as of the third quarter of 2017.

The revenues of companies with ISP service authorization rose by 16.5% year on year to TL 1.8 billion levels in the third quarter of 2017.

As of the third quarter of 2017, total fixed broadband (including cable) usage in Turkey amounted to 2.9 million TB. While 17.9% of the fixed broadband subscribers in Turkey prefer packages with a connection speed of 4-8 Mbps, the share of those preferring speeds of 10-30 Mbps was 70.2%.

In the third quarter of 2017, the number of users who access the internet via mobile computers and phones rose by 2% over the previous quarter to 56.5 million, in parallel with the rise in smartphone penetration. Türk Telekom maintained its strong position in the market in terms of smartphone penetration, at 78% levels as of the third quarter of 2017. Total usage in the mobile broadband segment was 535 thousand TByte in the third quarter of 2017. In terms of usage breakdown of mobile internet subscribers, the highest share (32.8%) of subscribers are those who prefer 1-4GB capacity. In the third quarter of 2017, the average monthly data usage of mobile broadband internet subscribers was 3.2GB, representing an increase of 45.5% over the previous year and of 6.7% over the previous quarter.

#### **Mobile Market**

As of September 2017, there were 77.9 million mobile subscribers in Turkey, corresponding to a 97.6% penetration rate. There are three operators in the market, namely Türk Telekom, Turkcell and Vodafone. As of the third quarter of 2017, Türk Telekom has 24.6%, Turkcell has 44.5% and Vodafone has 30.9% market share in terms of subscriber number.

In the third quarter, mobile internet usage rose by 11% over the previous quarter to 535 thousand TBytes, where numerous tariff and package campaigns with higher data content were introduced throughout the year in the market.

Türk Telekom has a fiber network spanning its LTE base stations across 81 cities to provide the widest frequency range.

As of the third quarter of 2017, postpaid subscribers accounted for 53% of the market in Turkey. The 66% postpaid subscriber ratio in European countries highlights that Turkey still has room to grow its postpaid subscriber base, with higher ARPU.

Türk Telekom steadily expands its mobile subscriber base as a result of the reasonable pricing expectations in the market and support of synergy offers with TV. The Company seizes investment and cost improvement opportunities related to coverage and capacity increase.

### LTE Technology

LTE services were launched in Turkey on April 1, 2016, and were immensely successful for Türk Telekom, reflecting to its financial and operational results.

Türk Telekom's fiber network spanning its LTE base stations across 81 cities enables it to provide the widest frequency range per subscriber acquired during the frequency tender at high quality. Mobile infrastructure must be supported by a strong fiber infrastructure in order to fully reflect the capacity and speed flexibility of LTE technology to the user experience. With the launch of LTE, data usage has increased considerably parallel to the expectations. The monthly average data usage of all Türk Telekom smartphone users increased by 44% to 3.9GB in Q3'17 from 2.7GB in Q3'16, while the share of LTE users among total mobile subscribers rose to 32% from 18% a year ago. The increase in data usage is expected to continue in the coming periods.

### TV Market

In Turkey, the prominent players of the Pay TV market are Türk Telekom Tivibu, Digiturk, D-Smart, Turkcell TV+ and Türksat. Turkey's TV market consists of IPTV, satellite and cable TV and the total number of the subscribers reached 6.2 million in the third quarter of 2017. In the market, IPTV services are offered by Türk Telekom Tivibu and Turkcell TV+, while satellite platform services are offered by Türk Telekom Tivibu, Digiturk and D-Smart. Türksat, is the only operator providing cable TV services in Turkey.

As Turkey's first IPTV provider, Türk Telekom expanded its broadcast service to the satellite platform in 2015 and started broadcasting in 4K quality in December 2015. The Company aims to increase the number of subscribers with an action plan designed to deliver its TV product to a wider population. Türk Telekom's Home TV (IPTV and Satellite) subscribers reached 1,029 thousand as of third quarter of 2017. In the satellite segment, as of the third quarter of 2017 Digiturk had 2.6 million Pay TV subscribers, whereas D-Smart had about 936 thousand Pay TV subscribers. Cable TV services provider, Türksat had 1.2 million cable TV subscribers as of the third quarter of 2017.

*Hayal etmenin*

*yaşı yok*

*uzağı yakını*

*makamı mevkisi yok*

*dünü bugünü yok*

*kuralı yok*

*sınırı yok*

*Sen yeter ki  
hayal et*

*Hayalleriniz gerçek olsun diye,  
güçlü altyapımızla Türkiye'nin 81 ilindeyiz.*

**Türk Telekom**



# Türk Telekom's Operations

Türk Telekom has set itself the mission of offering fast, high quality and affordable services to its customers through customer-oriented and integrated communication solutions, anywhere and anytime

Türk Telekom Group, as a “Multi Player of Turkey”, offers mobile, fixed voice, fixed broadband and TV services. Türk Telekom Group companies offer a wide range of services in the consumer and corporate segments. As of December 31, 2017, Türk Telekom had 13.7 million fixed access lines, 9.7 million broadband and 19.6 million mobile subscribers. Türk Telekom Group Companies provide services in all 81 cities of Turkey with 34,502 employees, and the vision of meeting Turkey with new technologies and accelerating Turkey's transformation into an information society.

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

## Future Vision and Strategic Approach

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

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

Türk Telekom aims to add value to core telecoms services, strengthening its competitive edge in new generation communication services, to reinforce its leadership position, and become the region's main

communication and entertainment technologies services provider, subsequently contributing to Turkey's digital transformation. Türk Telekom designs multiplay offers comprising mobile, internet, TV and innovative digital services powered by group synergies to create value. Türk Telekom provides convergence technologies and communication solutions to meet all the communication needs of its customers in one-stop shops.

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

## Türk Telekom's Strategic Priorities

Offering simplified and converged solutions through its strong infrastructure, Türk Telekom leads the way in increasing penetration across the country and extending technological services towards mass market. In an increasingly digitized world, data usage keeps increasing. In this respect, expanding fixed broadband and enhancing internet penetration nationwide are among Türk Telekom's top priority strategic goals. The Company aims to extend its mobile subscriber base to increase the reach of wireless household access, and has positioned its TV offers in an appealing fashion so as to reach out to these households. On top of its own digital transformation, Türk Telekom is also an effective enabler for the digital transformation of its consumers and corporate customers, and in this scope, Türk Telekom stands out among its peers with its digital solutions.

Türk Telekom has positioned its subsidiaries in the most effective manner, with a view towards creating and growing new revenue streams. Its synergetic partnerships and corporate risk venture company are also designed to render its value creation more sustainable. Türk Telekom runs its operations through effective cost control, and a more efficient use of its current assets.

Türk Telekom aims to sustain and strengthen its competitive advantage in the market through the improvement in customer experience brought about by the EMPATHY Program.

Türk Telekom designs value-oriented multiplay offers comprising mobile, internet, TV and innovative digital services powered by group synergies.

Within this scope, Türk Telekom has shaped its strategies around three main priorities:

## Growth

*Increase household reach and unique subscriber base while improving profitability*

- Faster FBB take-up and penetration drive Internet Bizden, partnership with electricity companies
- Mobile market share growth
- Increase the reach of TV – Grow wireless HH reach and support mobile
- Synergy offers & cross sell
- Increase reach of decent technology services to mass segment – focus on health, education, security, energy verticals
- Protect access lines

*Value creation on top of core*

- Drive digitalization in all value chain
- Large scale ICT projects such as smart cities, health campuses
- Consumer focused digitalization (Muud, e-magazine, Tambu, Tivibu Go) and enterprise digital transformation (GE Digital etc. )
- Create value through subsidiaries; Innova (large-scale ICT Projects), Argela (R&D and Innovation Center in particular enabling 5G, SDN and NFV commercialization), Sebit (e-education)
- Establish a Capital Venture Company (CVC): Türk Telekom Ventures

## Efficiency

- Simple & effective portfolio
- Sales Channels and customer care effectiveness
- Utilization of online and alternative channels
- Rigorous CAPEX management, effective cost control and better utilization of existing assets
- Streamlined organization
- Enable a lean technology – commercialization of SDN and NFV technologies
- Get ready for re-designing fixed & mobile assets

## Customer Experience

- EMPATHY Program – provide competitive customer experience

## Marketing Activities

Via support of successful service integration and ongoing infrastructure investments, 2.8 million subscribers were added to the Group's subscriber base in 2017, which reached 41.7 million.

As the leading communication and entertainment technology company in Turkey, Türk Telekom delivers its services to 41.7 million customers supported by its strong fiber infrastructure of 256 thousand kilometers in 81 cities.

Türk Telekom's total fixed line household coverage is 98%, while fiber coverage has reached 16.2 million households.

After the LTE spectrum auction of 2015, Türk Telekom, which strengthened its position in the 900 MHz spectrum, stands out as the only operator with a spectrum market share exceeding its subscriber market share. Thanks to its nationwide fiber infrastructure and optimal spectrum portfolio, the Company delivers the best LTE experience to its 19.6 million mobile subscribers.

With its robust infrastructure, Türk Telekom enjoys a unique position in convergent services, and is the first real integrated telecommunications company with its diversified subscriber base. While mobile subscribers account for more than 90% of the subscriber base of other market players, Türk Telekom stands out with its diverse customer base with mobile subscribers accounting for 47%, fixed broadband subscribers for 23%, fixed voice subscribers for 23%, and TV subscribers for 7% of the total base.

Successful progress towards service integration and ongoing infrastructure investments have significantly contributed to the operational performance in 2017. In 2017, 2.8 million subscribers were added to the Group's subscriber base, which rose to 41.7 million.

The Company's mobile subscriber base increased by 1,028 thousand in 2017 to 19.6 million.

Since 2011, Türk Telekom has remained the market leader in terms of smartphone penetration, and the Company maintained its strong position with robust offers in 2017. Türk Telekom's smartphone penetration rose to 79%, up 3 percentage points year on year. While just 53% of smartphone users had LTE-compatible devices last year, in 2017 the ratio increased to 67%.

In addition, Türk Telekom has increased its LTE coverage to 83% this year, up from 75% last year via investments.

Türk Telekom sustained its strong position in the fixed broadband market, adding 1.1 million net subscribers in 2017, thereby marking the highest growth rate since 2008. Fiber subscribers accounted for 67% of the net rise in fixed broadband subscriptions, and the fiber subscriber base rose by 37% to 2.8 million.

The campaign "İnternet Bizden" was launched in April 2017 in order to increase internet penetration among households, by offering potential customers high capacity, low speed and conveniently priced packages ideal for beginners. Regional campaigns continued to be organized taking into account socioeconomic differences across Turkey, and fixed broadband and mobile internet campaigns were carried with specific regional focus.

Türk Telekom continued to grow in the TV market as well; in 2017, number of home TV subscribers rose by 490 thousand to 1.2 million. Within the scope of synergy campaigns, "Tivibu Mobile Discount Campaign/Tivibu Mobil İndirim Kampanyası" was launched offering the Tivibu Super package to Türk Telekom Mobile subscribers at advantageous prices.



### **Mobile and Fixed Broadband Infrastructure**

Aiming to deliver the best mobile network experience to its subscribers, Türk Telekom has increased capacity through locations providing services over LTE and 900 MHz frequency bands and boosted indoor coverage.

As part of efforts to improve 3G and LTE networks, Türk Telekom introduced over 5 thousand new coverage areas in 2017. Leveraging its mobile internet capacity, Türk Telekom offers its subscribers the best deals in the market and the Company has increased its mobile internet traffic by 52% in one year.

In 2017, there was a rise in the number of subscribers with LTE-compatible SIM cards and mobile devices, resulting in a parallel increase in subscribers actively using the LTE service.

Türk Telekom maintained its technology leadership by investing in 3G and LTE networks as well as in new technologies. Thanks to GIGA LTE technology provided to customers in 81 cities simultaneously with LTE, Türk Telekom continues to deliver a mobile internet service experience three times faster than the fastest LTE.

VoLTE Service that offers customers the opportunity to make phone calls of HD quality over LTE network is supported by new devices in the market.

The sector's first highly detailed coverage map, which allows customers to check out fixed and mobile coverage and visualize Wi-Fi connection and sales points, has been upgraded to make offers to customers and consolidate their demand. As such, Türk Telekom has pioneered in the sector.

Türk Telekom's mobile subscriber base expanded by 1 million, reaching 19.6 million subscribers in 2017.

### Consumer Marketing and Sales Activities

#### Postpaid Mobile Segment

In 2017 Türk Telekom maintained its growth in the postpaid mobile market with strong offers, ever-improving customer experience and focus on constantly evolving customer needs.

Türk Telekom expanded its total postpaid subscriber base by 1.0 million, up 10% year on year, reaching 10.8 million postpaid subscribers in 2017. At the beginning of 2017, "Faturalı Avantajlı" 4GB and 6GB tariffs were launched, offering unlimited minutes within the Group, and enabling customers to enjoy packages with high mobile data.

In keeping with its motto "Just Dream It", in March and April Türk Telekom launched the "İnterneti Bol" 10GB and Harika 2GB packages, confirming its presence alongside the customer with its rich content.

"Yaz Festivali" tariffs launched at end-June 2017 helped maintain high customer satisfaction levels. The Company increased the number of postpaid mobile activations by offering data tariffs ranging from 2GB to 10GB to meet customers' differentiated internet needs. The Company has aimed to deliver a high-quality, high-speed and seamless internet experience with mobile offers whenever customers need them.

In the last month of 2017, Türk Telekom launched "Dönüşen Tarifeler", portfolio, which allows customers to convert their SMS limits into GBs. The Company continued to address differentiated data needs with these tariffs ranging from 2GB to 10GB. This portfolio allows users to turn their unused SMS limits to GBs, and thus customize their tariffs according to their needs.

#### 4.5G (LTE) Offers

Türk Telekom offers special solutions and campaigns addressing the differentiated needs of LTE users. With these various campaigns, Türk Telekom targets LTE customers to make ample use of internet without fear of exceeding their quotas.

During 2017, customers new to LTE technology were awarded as much internet capacity as their existing quota in the first three months following their transition to LTE. To ensure that customers can get the most suitable additional data package once their internet quota is reached, 1-week/2-week and monthly additional packages at 1GB/2GB/4GB/6GB/10GB are offered. Taking into account remaining internet quota, and extra quota requirement, the Company suggests them the optimum option among the aforementioned packages at the most convenient moment, via communications within the medium itself. Customers wishing to increase their internet quota without changing their tariff are offered the opportunity to raise it to 10GB under the most convenient terms.

The Company keeps a close watch on the rapidly increasing internet needs of customers. Special packages and campaigns for LTE users will continue to be enriched in 2018 in line with their needs.

#### Roaming Offers

Thanks to Türk Telekom's favorable overseas tariffs, Türk Telekom subscribers can surf the web and make phone calls in many countries across the world comfortably. With these offers diversified with a wide range of options, subscribers can make budget calls and connect to the Internet in the regions of Europe, Asia, America and Russia. Türk Telekom provides packages such as "Haftalık Paket", "Tarifen Yurt Dışında" and "Prime'la Yurt Dışı Özgürlük Kampanyası" to subscribers travelling abroad.



Türk Telekom Prime relaunched its new brand with the motto “Multiply Life/Kat Kat Hayat” in May 2017, offering a diverse internet tariff portfolio, new logo and a rich visual world allowing them to make the most of a freer life style.



Free communication in  
**72 countries**  
with Prime tariff

### Public Sector

Türk Telekom has started to offer brand new advantageous postpaid mobile offers to public sector employees, one of the sectors where it has the strongest position. All public employees can now visit a Türk Telekom shop with an ID document from their workplace and simply shift to advantageous tariffs with ample internet at affordable prices. Furthermore, public employees who opt for these tariffs can also enjoy unlimited talking time with other Türk Telekom mobile subscribers and use WhatsApp free-of-charge.

In 2017, three-year protocol was signed with the Turkish Police Force, that allow police officers to talk with their colleagues and loved ones at much more advantageous prices. Under this protocol, tariffs with data packages of between 2GB and 15GB are offered to all members of the Turkish Police Force.

### Türk Telekom Prime

Türk Telekom Prime relaunched its new brand with the motto Multiply Life/Kat Kat Hayat in May 2017, offering customers new internet tariff portfolio, with more data and privileges, new logo and a rich visual world allowing them to make the most of a freer life style.

With its new brand launch, Türk Telekom Prime offers customers tariffs with a rich content including up to 20GB data, and the chance to experience the new Prime world based on the concept “Prime’la Tanış”. This concept

features tariffs with ample internet at affordable prices, as well as a limited time access to exclusive services normally available only in higher tariff classes. Customers experience the world of Prime with the “Prime’la Tanış” tariffs, and in the subsequent three months, shift to Prime tariff of their choice at new customer prices.

In July 2017, via “Prime Europe Flight Ticket/Prime Avrupa Uçak Bileti” campaign, customers in new Prime tariffs were offered the chance to win tickets to 11 European cities. Furthermore, Türk Telekom Prime continued to facilitate the lives of customers with various brand partnerships addressing customer needs.

In March, special offers were provided in many locations such as hotels, gyms and movie theaters. In addition, Türk Telekom Prime continued to offer its customers privileged services including car rental, concert tickets, car parking, restaurant discounts, airport transfers, VIP transfers and holidays.

In the 2017 winter and summer seasons, Türk Telekom Prime stood by customers with various offers and discounts at the most popular skiing centers and beaches, and many other exclusive Prime privileges. In addition, Türk Telekom Prime remained in contact with customers through numerous entertainment activities in Uludağ, Palandöken, Fethiye, Çeşme-Alaçatı and Bodrum.

During the year, Türk Telekom Prime sponsored various events such as Bebek Festival, İstanbul Coffee Festival, Bozcaada Kalamar Festivali and Harbiye Open Air Theater concerts, which drew record-breaking crowds.

In September 2017, Türk Telekom Prime’s first social media account was launched, and all brand communication is now conducted via this channel.



### Türk Telekom Prime Business

At end-2017, the “Türk Telekom Prime Business” loyalty program was launched for corporate customers, leading to new customer acquisitions, a strengthening of customer loyalty, and customers embracing the new brand.

Türk Telekom Prime Business continuously offers Türk Telekom’s corporate customers a lean and comprehensible benefit structure, supported by various periodical campaigns. This platform is designed to enrich the customer experience, provide practical solutions to corporate customers at every moment, acquire new customers, offer sales teams a new area of potential sales, and enhance customer loyalty.

The Türk Telekom Prime Business program features multiple benefits such as Car Parking, VIP Airport Transfers, Overseas Travel Stamp, Airport Fast Track, Car Wash and Dry Cleaning.

### Residential Fixed Broadband and Fixed Voice Activities

Considering that customers attach much importance to simplicity and ease of use in technological devices, in 2017 the Company launched easily comprehensible and selectable offers without compromising on the diversity of its product map.

During 2017, in order to respond to customers’ increasing demand for speed and provide a more pleasant experience, important system upgrades were carried out. Actions were taken to resolve any service and infrastructure problems that may impede customers’ fixed broadband access.

In 2017, Türk Telekom focused on two main channels for fixed broadband subscriber acquisitions. The main offer structure based on all-inclusive options was preserved; in addition, in 2017, the Company enriched its product range with rich content and value-added campaigns to meet the diverse expectations and needs of customers. For that, Türk Telekom launched the “Dörde Katlayan” Campaign and “Hızlanan İnternet” Campaign which offer greater speed and capacity, the “Dört Mevsim” Campaign which offers a shorter commitment period, the “Eğitimli İnternet” Campaign featuring educational products for children’s development, as well as the “İnternetle Üniversiteye Hazırlık” Campaign which features the Raunt product to assist university candidates, “Tabletli İnternet” Campaign for customers who need a budget device for internet access, and finally the “3 Ay Bedava İnternet” Campaign to support families at the start of the school year when expenses increase.

In addition to these campaigns, in 2017 the Company launched the “Tivibulu Hepsini Dahil”, “Evde Cepte Bayram” campaign and “Ailece İnternet” campaign which met customer demand for TV and mobile along with internet services.

The second dimension of new home fixed broadband acquisitions involved actions to increase nationwide penetration levels. Delivering services nationwide with its infrastructure and offering the communication technologies of today and tomorrow, Turkey’s leading communication and entertainment company has set its priority the expansion of fixed broadband penetration in Turkey, having committed itself to developing projects that serve this purpose. The penetration boost project was rolled out in April 2017 with the target to add momentum to fixed broadband ownership and expand the market. Assessing barriers to internet service purchase, such as economic reasons, or the perceived lack of need, the Company offered potential customers high capacity and low speed internet at affordable prices.

With this project, Türk Telekom works relentlessly to reach the target set by the Ministry of Transport, Maritime Affairs and Communications that is, delivering internet to many more households through the support of all companies over Türk Telekom’s infrastructure. Türk Telekom’s “İnternetsiz Ev Kalmayın” campaign offerings have aroused much greater customer interest and acceptance than all previous penetration offers, due to the package content and price balance.

Türk Telekom's fixed voice offering was expanded through the addition of new fixed voice minutes campaigns to the existing portfolio, enriching portfolio for different needs.

In addition to those activities, focusing on the seasonal needs, Türk Telekom launched temporary internet packages (valid for 2 to 3 months) for the summer season to meet the short-term internet needs of customers who spend the summer at their summerhouses. Embracing the back to school season, the peak period of demand for fixed broadband services, Türk Telekom introduced free education packages, device offers and joint campaigns in collaboration with other brands. With the offers launched in September 2017; the Back to School campaign that includes free educational packages and free internet for three months, discounts on printers, tablets and laptop computers, as well as discounts from several brands on online purchases of shoes, school bags, and clothing and stationery products were launched.

As for the Fixed Broadband customer portfolio, new campaigns had diversified commitment periods and price tariffs according to the special needs of different customer groups.

In 2017, in parallel to the rising internet usage of its Residential Fixed Broadband subscribers, Türk Telekom introduced packages of above 100GB to its portfolio. Likewise, at subscription renewal, customers were offered packages of higher GB data, or higher speed, and such customer package upsells represented 64% of proactive campaign sales.

In response to rising internet usage needs, one-time or continuous "Ek AKN/Additional Free Usage Quota" packages were added to the portfolio.

All fixed broadband subscribers, whether participating in a campaign or not, were given the option of shifting to high speed packages with free-of-charge, state-of-the-art VDSL modems.

Fixed voice new subscription campaign, offering "İnternet alana Ev Avantaj 100" and "SadeHat" tariffs at a discount continued to accept new subscribers in 2017.

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

Türk Telekom's fixed voice offering was expanded through the addition of new fixed voice minutes campaigns to the existing portfolio, enriching portfolio for different needs.

In 2017, Türk Telekom rolled out the "Aranan Hat" Tariff for its fixed voice subscribers. Designed for subscribers who only wish to purchase incoming call service, this line allows them to receive such calls without the option to make outgoing calls.

In 2017, TT Aile Kart (Family Card) enabling customers to make calls from home and pay phones was added to company's new campaign portfolio with new bonus minutes every month for 12 months. The campaign allowed Family Card customers to make free-of-charge calls of up to 1 thousand minutes to consumer and corporate fixed voice subscribers in the same city, 24/7.

With the "Yeni Eve Yeni Telefon" campaign, new fixed voice subscribers who transfer access lines were offered free-of-charge home phones and free call minutes to all directions by Türk Telekom, enabling them to talk as much as they wish in their new homes.

In 2017, in collaboration with insurance company Aksigorta, Türk Telekom continued to create value by launching the Free-of-Charge Home Insurance Campaign to insure its customers against fires, floods and theft.

Eko and Maksi packages continued to offer welcome discounts as well as call minutes for all directions to new subscribers, while “Gündüz Konuşturam” campaign continued with unlimited call minutes for Türk Telekom fixed voice subscribers who stay in during the day.

### Regional Activities

Taking socioeconomic differences into consideration to meet customer needs, Türk Telekom developed and implemented regional campaigns and communication activities, including residential internet and mobile. The Company also launched the “İlk Adım” Campaign, the fixed broadband campaign designed for Cities of Development Priority, as well as the “2 Ay Bedava” campaign for residential areas of low penetration, on top of its existing offers. Again, with a regional perspective, the Company organized “Evde Cepte Türk Telekom” campaign with a view to increase Türk Telekom mobile line ownership among its fixed broadband subscribers, and the “İnternetliye En Kral Tarifeler” campaign to increase fixed broadband subscriptions among existing mobile customers.

Fiber Platform efforts continued in 2017 to improve fiber awareness, and the Company informed target populations on fiber with direct communication, and organized regional events at various locations.

### Mobile Brand Partnerships

Türk Telekom continued its collaborations with BİMcell, PTTcell and Teknosa Mobil brands. Within the scope of the partnership ongoing since 2012 with BİMcell, Türk Telekom continued in 2017 to offer simple and affordable prepaid plans and packages to customers at over 6 thousand BİM stores.

Launched in 2013 as a partnership between PTT and Türk Telekom, PTTcell continues its operations through 2 thousand PTT offices across 81 cities. PTTcell continued its growth with a rich portfolio of postpaid plans customized for every need in 2017.

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

## Türk Telekom avantajları şimdi de Jolly Tur'da



### Brand Partnership Campaigns

In 2017, Türk Telekom launched various campaigns for its mobile, fixed voice and fixed broadband subscribers in several industries such as travel, rent a car, services, clothing, cargo, airlines, technology and e-commerce. Including the segment campaigns, Türk Telekom executed co-marketing campaigns in collaboration with nearly 70 brands across 20 industries.

In order to reduce the major cost items of its corporate mobile, internet and phone subscribers, Türk Telekom joined forces with 18 brands regarding car rental, fuel, airport transfers, office items, vehicle tires, car wash and dry-cleaning services. As such, Türk Telekom now offers its customers practical solutions in every aspect of their lives.

Within the scope of these brand partnership activities, around 10 thousand Türk Telekom corporate customers joined in the campaigns.

## Marketing Activities

Türk Telekom Home TV subscribers increased by 490 thousand in 2017 and reached 1.2 million with innovative services of Tivibu via all platforms including satellite, IPTV, Smart TV and web.



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In order to encourage Tivibu satellite and IPTV users to switch to higher packages, Watch-and-Pay features were added to the platform prior to the 2017-2018 UEFA Europa League and Champions League season. As such, subscribers now have the opportunity to purchase any content of choice, even if they do not have a Super Package tariff.

A true 4-screen experience delivered via TVs, computers, tablets and smartphones, rewinding programs back seven days without recording via cloud storage technology – a first for Turkey, creating different profiles for all members of the family, “Dual display” feature – watching one channel displayed on the main screen, with another in the corner of the main screen, advanced recommendation engine, suggesting content based on viewing habits, and UEFA Champions League and Europa League matches on mobile devices are offered to Tivibu customers.

In 2015, Tivibu, which had provided TV service with IPTV technology, started broadcasting via satellite as well. In 2017, Tivibu enhanced its satellite content with documentaries, TV shows, and lifestyle channels, reaching 162 channels, 71 of which are of HD quality.

Tivibu's channel portfolio is now much richer, featuring 12 prestigious global documentary channels following the addition of National Geographic, Nat Geo People and Nat Geo Wild; as well as 15 sports channels of HD quality; 11 kids' channels with the addition of the world's first uninterrupted round-the-clock children's channel Baby TV, Nicktoons and Boomerang TV; and four HD-quality series channels with the addition of Fox Crime, Fox Life and FX.

### Television

Thanks to its robust technology infrastructure, advanced broadcasting features, and rich content, Türk Telekom Tivibu continued to introduce many “firsts” and pioneer in the sector in 2017.

Tivibu with a variety of programs from sports, movies and documentaries to children's channels appeals to all family members. Tivibu Go application delivers its rich content via cell phones, tablets, and computers in addition to TV.

## **Tivibu Spor**

With live broadcasts of nearly 250 UEFA matches from the Champions League and Europa League during the 2015-2016 season, Tivibu achieved a “first” for Turkey. As of the beginning of the 2016-2017 season, Tivibu commenced its unencrypted broadcasting channel over the Türksat Satellite. With its unencrypted HD and SD broadcasts, the channel’s potential coverage area has spread nationwide allowing viewership in more than 1.5 million houses. TivibuSpor broadcasted 20 programs in the 2016-2017 season with its exclusive team of sports commentators, and more than 1,300 live sports games, half of which were UEFA matches.

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

In addition to NCAA (The National Collegiate Athletic Association) basketball matches, Tivibu Spor channels, also broadcast Spanish and Italian leagues live matches, weekly.

Since the 2015/2016 season, Tivibu Spor broadcasts football matches of the Portuguese, Dutch and Russian leagues as well as Italian League and Italian Cup and Spanish King’s Cup for a period of three years. Additionally, the platform continues to broadcast the world’s leading Golf tournaments, along with the ATP 250 and WTA tennis tournaments and prestigious seasonal tournaments in other sport fields such as WBSS (World Boxing Super Series), Boxing and Rugby.

## **The joy of watching movies on Tivibu continues**

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

Having introduced the Video on Demand feature in Turkey, Tivibu forged ahead with its content strategy and launched 60 special movie menus in 2017.

In addition to the menus, Tivibu also provides a total of 1,750 movies for Pay-Per-View and Video on Demand, as well as 4,500 TV series, documentaries, Kid’s content, Sports, Music, and Entertainment for “Video on Demand” options.

In 2017, almost 100 Turkish and foreign movies were broadcasted for the first time on Tivibu.

## **A “first” for Seasonal Channels in Turkey: 24/7 Unencrypted Broadcasting on Ramadan Channel**

Tivibu continued seasonal channel projects and with its 24/7 Ramadan channel broadcasted in 2016 and 2017, delivered a “first” in Turkey. The channel broadcasted live programs during iftar and sahur hours, as well as movies, documentaries and educational programs during the months of Ramadan.

## **Other Initiatives**

With the Tivibu Satellite product, the plug-and-play option has been launched for consumer segment, and is now on offer in various campaigns as an additional installation method. Thanks to this development, customers can connect Tivibu devices to the Türksat satellite system and swiftly access the Tivibu experience, without the need for any installation support.

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

## **Campaigns and brand partnerships**

Within the context of Tivibu Mobile Phone Tariffs and Tivibu Prime campaigns, Türk Telekom bundled Tivibu and mobile products as multiplay offers. Within the framework of these campaigns, Türk Telekom offered complimentary Tivibu Cinema/Super packages for a period of 24 months.

Within the scope of synergy campaigns, Türk Telekom Mobil subscribers were offered the Tivibu Super package at affordable prices with the Tivibu Mobile Discount Campaign/Tivibu Mobil İndirim Kampanyası.

“Tivibu Süper Paket İlk 6 Ay Bizden” Campaign was launched offering IPTV Super Package.

In 2017, modules installed on the back of Smart TVs for access to Tivibu channels rather than set top boxes or satellite receivers were offered to consumers as a part of the partnership with Arçelik that continue since 2015. Subscribers that bought Arçelik, Beko, and Grundig-branded, and Tivibu-enabled LED and LCD televisions were given Tivibu CAM Module and Super Package, free-of-charge for 12 months.

The technical infrastructure and content development of prepaid products, which will be sold through chain stores and third parties, has been completed. This project was initially launched in partnership with Media Markt, and Tivibu Super and Cinema packages were offered in stores. The partnership continues since 2017.

## **Pay Phone Services**

In order to meet the rising communication needs of students and teachers in September, when the school year begins, Türk Telekom launched a special campaign where the first ten minutes of all local and long-distance calls via pay phones at schools in pilot cities of İstanbul and Ankara were offered free-of-charge.

## Marketing Activities

With its product and service offering, investments and the importance it attaches to customer satisfaction, Türk Telekom has become the only telecoms company to cooperate with all firms on the Turkey Capital 500 and Fortune 500 lists.

### Corporate Marketing Activities

With the brand unification project initiated in early 2016, corporate customers were provided faster, and integrated solutions in their needs. This new structure had a positive effect on commercial results in 2017, yielding increases in both profitability and subscriber acquisitions.

Today, Türk Telekom has one of the largest corporate sales organizations in Turkey with 2,500 sales managers in the field. With its wide array of products and services, investments, and the importance it attaches to customer satisfaction, Türk Telekom has become the only telecoms company to cooperate with all firms on the Turkey Capital 500 and Fortune 500 lists.

In 2017, the Company expanded its subscriber base as a result of customized solutions offered to corporate clients, as well as various actions taken on both face-to-face and digital channels.

### Corporate Activities

**Uludağ Economic Summit Sponsorship:** Uludağ Economic Summit is an annual event organized by Capital and Economist magazines since 2012 that brings together prominent local and foreign speakers and business leaders. In 2017, Türk Telekom became a sponsor of the Summit, which was held on March 24-25, 2017. Türk Telekom CEO Dr. Paul Doany delivered a speech during the panel with the theme of entrepreneurship.

**Microsoft Technology Summit:** At the summit held on February 15, 2017, Türk Telekom highlighted that the Internet of Things was shaping the era of Industry 4.0, and that operators had an important responsibility in this process.

**Healthcare Information and Management System Society (HIMSS) Conference:** Sponsored by Türk Telekom, the event was organized on May 11-13, 2017 in Istanbul with a focus on transformation in the healthcare sector. During the meeting, Türk Telekom emphasized that traditional healthcare systems undergoing transformation were entering a new and high tech period in terms of hospitals, treatment processes, and doctor-patient relations. The Company also discussed comprehensive IT service provided to “Health Campus” projects, which set an example for the entire world.

**Public Technology Platform Partnerships:** As part of this partnership on urban innovation and change vision, Türk Telekom sponsored the International Smart Cities Conference held on May 24, 2017 in Ankara. Topics discussed during the conference include Türk Telekom’s vision of smart cities, the main problems faced by cities and the technological solutions formulated in response, as well as the benefits and savings generated in pilot cities where solutions are implemented.

At workshops held with local government representatives in Kayseri and Rize, Türk Telekom shared its technological solutions customized for each city.

**Internet of Things Summit:** The event, sponsored by Türk Telekom, took place on November 15, 2017 in Istanbul. The Company was among the speakers at the panel discussion on Smart Cities, and presented information on such cities, the cities' transformation path, and Türk Telekom's vision on the topic.

**FATİH Project Education Technology Summit:**

Organized by the Ministry of National Education, the event took place in Ankara, on November 17-18, 2017. Numerous prominent firms working on technological developments in education, together with public sector employees participated in the activity, where new generation education technologies, the effects of the Internet of Things on education, and distant education solutions were discussed in detail.

**Public Projects and Campaigns**

**Kamunet:** Türk Telekom, the leading provider of communication and entertainment services in Turkey, took a major step forward in its cyber security efforts. Providing end-to-end security systems, Kamunet (Public Network) provides information protection against cyber security threats and ensures security of public entities and agencies. Kamunet is used by The Ministry of Transport, Maritime Affairs and Communications since July 2015 in internal processes, and in June 2017 all public agencies set to join KamuNet was informed, with currently over 50 agencies joining the network. With its security system which has no connection to internet, KamuNet ensures that the risks of cyber security are minimized.

Running on Türk Telekom's data center infrastructure and offered to public agencies over the MPLS network at fast connections of up to 10Gigabytes, KamuNet has gathered public agencies under a protective VPN cloud, thus protecting their data with high-level security measures. Kamunet placing public institutions in a secure area closed to external links, displayed high growth, especially in 2017, partly due to increase in cyber-attacks.

**The Healthcare Campuses:** Türk Telekom will provide technological infrastructure for Mersin and Bilkent Universities' modern healthcare campuses for 25 years. These institutions have been consolidating all of their clinics at the same center as part of the healthcare transformation program, and strive to employ cutting edge technologies to deliver better quality services to patients. Mersin Healthcare campus has become operational and work is underway at Bilkent healthcare campus.

**Smart Cities:** Under its Smart Cities project, Türk Telekom makes use of the latest IT technologies to offer practical solutions to citizens and public authorities. Türk Telekom offers smart solutions to cities' problems, and assists in the technological transformation of municipalities.

Türk Telekom has been investing in smart technologies for many to carry Turkey towards a future of smart vehicles, houses, schools, corporates and cities with its innovative technological practices, and delivers innovative services to citizens in smart cities. Urban life becomes more practical thanks to new generation applications in areas such as Traffic, Environment, Health, Security, Energy and Administration. Smart city solutions improve quality of life in the areas of security, productivity, economy and environment, and enable cities and public authorities to make efficient use of resources. Solutions concerning transport stops, intersections, lighting, irrigation, waste collection, recycling, and security, as well as healthcare facilitates the work of public authorities. While individuals are offered a more comfortable lifestyle, municipalities are given the opportunity to save significant amounts in their basic expenditures. In this respect, after Karaman and Kars, the Company signed a deal for the first phase of the Antalya Smart City project, and relevant installations continue at full speed. Smart Solutions, which have been initiated among municipalities, will soon be extended to universities to offer students practical solutions on their academic trajectory, and give universities the opportunity to deploy the latest technologies in their campus planning work.

In fixed voice services, Türk Telekom continues to lead the segment; launching need based advantageous campaigns for Strategic and Large-scale customers.

### Fixed Voice and Broadband Projects and Developments

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

The “Siftah Package” which allows national calls in all directions between 8-11 AM, and the “Global Package,” which includes 250 minutes of international calls with the new tariffs designed in 2016 continued in 2017.

In 2017, Türk Telekom focused on IP transformation, customer recovery and commitment contracts in the public segment. Accordingly, the Company designed various campaigns and conducted marketing activities aimed at customer recovery and commitment. Joint campaigns in mobile and broadband continue.

In fixed voice services, Türk Telekom continues to lead the segment; launching need based advantageous campaigns for Strategic and Large-scale customers.

Taking into account customers’ voice service needs, the Company continued product development via value added services planned under Virtual Switchboard and other voice product services. Foremost among these are Interactive Voice Response (IVR), Fax over IP, Voice Recording, and Advanced Reporting (CDR) services.

In the Shopkeepers and SME segments, efforts focused on new customer acquisition and recovery. The 100-minute package was relaunched at a more affordable price for recovery purposes. In addition, a discount campaign for small-scale enterprises was organized to encourage recovery.

As for the new customer acquisition efforts in the Shopkeeper and SME segments, the “Konuşturam İş Kampanyası” campaign offered customers free-of-charge home phones to drive interest. In addition, the “İş Telefonunda Fırsat” campaign was relaunched with a more affordable tariff on periodic base. Meanwhile, new campaigns were launched to allow Shopkeepers and SMEs to ease acquisition of workplace insurance policies.

In the second quarter of 2017, the entire fixed internet portfolio was given a revamp with the launch of a leaner portfolio better suited to changing customer needs. This new portfolio features gifts to customers such as workplace insurance and cyber security products, which will boost the businesses of shopkeepers and SMEs. The campaign aims to acquire more fiber service subscribers.

In 2017, high speed packages were added to the Ministry of National Education Internet Packages that offer special secure connections to the Ministry and its public schools so as to ensure that high speed internet is available throughout the school system.

In due consideration of the high volume fixed internet requirements of Large-scale and Strategic customers, a discount campaign featuring affordable connection and access fees was launched. The campaign targets both new clients and those keen to extend their commitment period. Mobile internet packages were formulated for backup purposes to ensure that customers can continue their business processes without interruption in the event of a blackout and breakdown.

Activities and campaigns to boost sales of Metro Ethernet internet services for Strategic and Large-scale customers continue. In special campaigns presented with high advantageous prices, the Company meets infrastructure costs on the client side and allows customers to access Metro Ethernet internet services with more convenient monthly payments. Furthermore, in order to increase the usage of backup circuits, a campaign was initiated offering these circuits free of charge in return for subscription commitments.

## Mobile Service Projects and Developments

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

In the second quarter, following the LTE launch, the Company launched the “Sınırları Kaldıran Tivibu” campaign, which offers both mobile and Tivibu services, in order to differentiate itself in mobile services offered to subscribers, and to diversify the integrated services offered by Türk Telekom.

Launched in the third quarter, the “Mobil İşyerim+1GB” campaign and the “Sınırları Kaldıran Tarife Yaz Fırsatı” Campaign met the rising data requirements of corporate customers. Such a diversity of campaigns has allowed customers to meet their call minutes, SMS and data needs in an affordable single package.

In the fourth quarter, the new mobile tariff portfolio “Cepte Prestij” was launched, also to meet the rising data expectations of clients in the corporate world following the transition to LTE. This new tariff is designed to meet customers’ mobile needs in the business world with the richest content and differentiated benefits.

For Strategic Customers, “Faturanı Paylaş” Campaign has offered very special benefits to their employees. Rich in content, the campaign offers a wide array of mobile voice and data options, and features gift checks for subscribers in addition to its package content. In order to increase penetration and commitment ratios in Metro Ethernet internet services in the face of competition, offers focused on eliminating customers’ infrastructure costs and reducing monthly fees.

For the Large-scale Customers Segment, in the scope of the “Sağlığım Güvende” Package, Türk Telekom and AssistLine joined forces to offer the special “Avantajlı Sağlık” Package service to clients. The employees of subscribers purchasing new Türk Telekom Mobile lines were offered special healthcare advantages at contracted healthcare institutions across Turkey.

For the public sector, in order to increase its revenue share in the mobile VAS Bulk SMS & MMS and mobile advertisement services, the Company launched multiple product campaigns that extend its footprint in various products, supporting new customer acquisition via periodical discount campaigns.

## Customer Services

### Advanced customer services via online channels



Visual IVR



Account Management

### Fixed Data Developments

As rapidly developing IT technologies lead to an increased volume of online data and transactions, there is a significant rise in cyber-attacks against public institutions. Accordingly, Türk Telekom Corporate Security Services has undertaken specific Cyber Security campaigns and marketing activities designed for public agencies to safeguard their critical data and infrastructure. The work continues on the marketing and communication activities of Türk Telekom’s Cyber Security Center shortly to be inaugurated.

The Company launched an exclusive campaign for Large-Scale customers, whose cyber security demands increase daily, offering highly attractive prices for Corporate Security services. As such, the Company provided support to clients and helped raise their awareness of cyber threats. Customers meeting campaign requirements enjoyed appealing discount rates for the full range of services such as DDOS Attack Prevention, Intrusion Prevention Systems (IPS), Security Walls, and Content Filtering and Antivirus services.

## Marketing Activities

Türk Telekom is committed to playing a pioneering role in Turkey's digitalization and delivering a unique and sustainable experience to customers.

### Technology

Customized solutions for both Turk Telekom and third parties by using both internal and subsidiary resources



Delivering Turkey's richest solutions portfolio and customer-focused services, Türk Telekom targets to add a new venue to its long list of highly secure İstanbul and Ankara data centers of international standards in 2018 and plans to continue with its long-term investment drive in this field. Set to be inaugurated shortly, the Esenyurt Data Center will help meet the rising data center demands of clients.

With the soon-to-be-opened data centers, secure and uninterrupted services of large bandwidth will continue to be provided to corporate clients.

In addition to these efforts, Türk Telekom delivers backup solutions to its clients via two business partnerships. The data center Backup and Replication services offered as part of these partnerships allow Strategic and Large-scale customers to operate without interruptions in the event of blackouts and breakdowns, and as such possible data loss and financial risks are minimized.

Offered also through partnerships, Türk Telekom backup service enables backups for physical servers, PC/Laptop, MAC clients, Vmware, Hyper-v and other Virtualization platform machines, Office 365 mailboxes, iOS and Android devices.

Certain outsourcing projects where Strategic and Large-Scale Segment customers demand solutions rather than products require the involvement of multiple solution partners. In such cases, the Company collaborates with Innova for Full House ICT projects, and with other business partners when necessary.

#### Digital Services

Technological advances, soaring number of internet users, and multiplying data usage present various opportunities for the telecoms community. In the rapidly expanding digital market, speed gains more importance every day, and customer expectations diversify. A new set of subscribers demanding immediate responses to their questions, whose purchase decisions are affected by social media, and who employ multiple mobile devices simultaneously and opt for online channels in their communications is being formed. Telecoms operators willing to meet these expectations have started to invest in areas other than value added services, which already constitutes a large portion of their digital services. These new areas mainly include payment systems, cloud technology, IoT solutions and end-user mobile applications.

Türk Telekom is committed to playing a pioneering role in Turkey's digitalization and delivering a unique and sustainable experience to customers. In this regard, the Company has launched an in-house digital transformation process.

Offering the best infrastructure to Turkey and its region, Türk Telekom now strives to digitize this infrastructure so as to deliver more innovative and comprehensive services. The Company plans to realize this via its subsidiaries, thereby increasing their value. In this vein, Argela, which focuses on R&D and innovation activities for next generation telecoms technologies, continued to invest in 5G technologies and effective solutions for this technology in 2017. Argela's US subsidiary Netsia has partnered with Telefonica, Verizon and Orange in this area. Delivering IT solutions in international standards, Innova has given life to energized Turkey's integrated smart cities with the Internet of Things platform SkywaveloT

and the Smart City Management platform. The Company in March implemented the Kars Smart City Platform, which will help citizens receive better quality services in a smart city environment and commenced similar work for Antalya. Furthermore, Integrated Healthcare Campus projects, which set an example for the global healthcare sector, have started to deliver a crucial service on back of technological infrastructure delivered by Innova. Innova maintains its vision of leading the IT community with its end-to-end solutions. Additionally, Turkey's continued to undertake innovative investments in the education sector via leading education technology company Sebit. The Company continues to produce high quality, reliable educational content in the Fatih Project, realized jointly with the Ministry of National Education.

Türk Telekom continues to work towards its aim of becoming the main communication and entertainment technology provider in the region. Türk Telekom has developed its innovative mobile applications to build stronger relationships with customers, and to increase the time that customers spend on its mobile network. The revamped and technologically enhanced digital music platform, Muud, offers all music lovers the freedom of music according to your mood' at high quality, regardless of their choice of operator. Launched in the last quarter of 2017, the smart keyboard app Tambu attained a strong position in the market within a short time with its strong local presence.

On the other hand, innovative services are not limited to mobile applications. Tivibu continues to deliver rich digital solutions to the entire country, introducing numerous "firsts" in television broadcasting. Investments in youth brand Selfy and the upper segment brand Prime continue at full speed to strengthen customer experience in these segments. Türk Telekom invests not only in consumer customers, but also in the digital future of businesses: In this context, Türk Telekom joined forces with GE Digital for the Industry 4.0 revolution, and initiated a new partnership for accelerating the digital transformation of industrial entities. Together, the two companies will provide digital transformation consultancy to the 'Top 500' and other industrial companies in Turkey. In addition, as a first for the Turkish telecommunications sector, Türk Telekom established a Corporate Venture Capital company to enhance its contribution to the entrepreneurship ecosystem in Turkey. With this step, the Company will be able to swiftly invest in innovative initiatives of high growth potential that will create synergy with its main operations.

Türk Telekom plans to increase its investment in digital channels. In order to tap into the growing targeted advertisement market, Türk Telekom offers all advertisers and advertising agencies the opportunity to automatically purchase and manage their digital advertising space, via its digital media purchasing platform ProgramaTTik. Thanks to this platform, the Company can reach out to target audiences with the right campaign at the right time, saving money and time for itself and its clients.

Increasing process efficiency in digital sales channels has been a part of Türk Telekom's work culture. The Online Transactions Center (OIM) application and the related website are being used by more and more Türk Telekom customers for self-service purposes. As Türk Telekom's most downloaded application, OIM will continue to improve its customer experience and enrich its content so as to become an effective communication platform where customers can swiftly access any service they desire. Türk Telekom Payment Services, which provides fast, secure and easy solutions for the daily payment needs of Türk Telekom customers, and adds innovative payment methods to Türk Telekom's product portfolio, continues its activities as well. Türk Telekom Payment Services received its payment license in January, and thereafter increased and diversified its services in 2017, in parallel to the overall growth of the digital payment sector.

With its customer-oriented approach, Türk Telekom undertakes various projects to digitize customer contact points. The beta version of Jetfix, a digital customer service platform, was launched in November, and the full launch is scheduled for 2018. Jetfix provides the necessary infrastructure for corporate clients to organize live chats with clients, make use of chatbots, manage their social media management, and employ Visual Service Centers (Visual IVR).

In addition, Türk Telekom has taken great care to use social media actively in 2017, and to establish two-way communication with its customers. Türk Telekom is committed to producing customer-centered technologies, and in 2017, top-level employees focused on the problems expressed by customers on social media, and worked to deliver fast solutions.

## Marketing Activities

Türk Telekom subscribers who use Muud services can freely listen to millions of songs anywhere, without spending their data packages.

**muud**

Turkey's Favorite Digital Music Platform

**Muud Launch: 2008**

**Relaunch: 2017**

Turkey's favorite and most loved digital music platform: Download and listen millions of Turkish and foreign songs at high quality, watch countless videos

### Digital Services

#### Muud

Türk Telekom's music service was revamped and its technological infrastructure was enhanced, and was relaunched in September 2017 under its new brand name Muud, to deliver 'Listen Music by your Muud' to all music lovers. Muud gives music enthusiasts the chance to listen to 4 million local and foreign tracks, and also is a smart platform notifying subscribers of the latest novelties in the music community. Muud users can create personal lists of their choice, or alternatively enjoy existing lists designed to suit different moods.

Available to all regardless of their telecoms operator, Muud not only gives the chance to listen to music offline, but also enables free or paid subscribers to listen to 1,000 local tracks ad-free, a feature that singles it out among all digital music platforms. Türk Telekom subscribers who use Muud services can freely and without limit listen to millions of songs anywhere at any time, without using their data packages.

Finally, Muud Premium subscribers can listen to an unlimited number of local or foreign tracks and enjoy its offline features, while those who are not yet can become a Premium subscriber with the first month of subscription free-of-charge. With all these novelties and



developments Muud developed and expanded with numerous new subscribers to become Turkey's largest and most popular music platform among.

#### Tambu

Tambu is a digital keyboard app for smartphones, designed as a point of entry for messaging apps, search engines, social media platforms and internet browsers.

A first in the telecoms sector, Tambu is a highly innovative Türk Telekom product in terms of its various components.

In the last quarter of 2017, Tambu was launched in Android and iOS stores, independent of mobile operators and free-of-charge. According to preliminary surveys, Tambu has already become the leader in its category in terms of brand awareness and total downloads.

Original local stickers, Champions League GIFs, instant translation, and customizable themes are among the major features provided by Tambu. All these features allow Tambu users to explore and share content with ease.

In addition to these, Tambu is also a platform that can deliver location-based services and provide suggestions for products and services. Accordingly, Tambu is a product with a high value proposition.

### **E-Dergi**

Turkey's digital newspaper and magazine reading platform, Türk Telekom e-magazine app was launched in November 2017, allowing all customers to subscribe regardless of the operator. With hundreds of different magazines on fashion, economy, technology and celebrities, and a vast archive with content refreshed daily, all operators' subscribers have already begun to enjoy a digital reading experience, E-magazine offers a top-notch digital reading experience for Türk Telekom subscribers, without deducting any data from mobile customers' internet quotas, and in 2018, it will deliver specific alternative offers for segments.

### **Vitamin and Raunt**

Having played a major role in the digitalization of education in Turkey, Türk Telekom continued to expand the penetration of its education-related products in 2017. Complying with Ministry of National Education (MEB) curricula, Vitamin helps primary and high school students to do their homework and prepare for exams at home via internet, and offers the most comprehensive and the richest content in Turkey in its field. In 2017, thanks to bundle tariffs including Raunt product for specific segment tariffs, Vitamin continued to serve all students studying for the Council of Higher Education exams to help them enter the university they desire. Türk Telekom delivers its e-education services in coordination with Group company Sebit.

### **Life is Easy with the Internet**

In 2017, Türk Telekom's social responsibility projects went digital. "Life is Easy with the Internet" app, also supporting Arabic language was launched in 2017 to increase internet literacy in Turkey and allow all social groups to access the Internet for their needs, Innovative and digital social responsibility projects will continue in 2018 so as to support the education of all refugees living in Turkey.

### **Telephone Library**

Launched to help visually impaired citizens enjoy the arts, the Telephone Library was enriched with the addition of "Talking Paintings", which provides verbal descriptions of famous paintings including Mona Lisa, Turtle Trainer, and Girl with the Pearl Earring, to name a few. Launched at the "Talking Paintings" exhibition at Unique Maslak, Telephone Library will continue to offer innovative services in 2018 that make life of visually impaired more comfortable.



### **Turkey's Leader Digital Game Platform Playstore**

**Launch: 2011**

Turkey's first and leader digital game platform and e-pin sales platform

### **Playstore**

Turkey's first and largest digital gaming platform Playstore has not only carried its service quality to the highest level, but also launched various games simultaneously with the rest of the world in 2017. It has become one of the most popular digital platforms among game enthusiasts thanks to competitive prices, and payments with up to 12-month installments reflected to their fixed broadband bills. In a joint 2017 project with Tivibuspor, Playstore invited customers who purchased "Football Manager 2018" to the 'Football Manager with Ali Ece' experience on Tivibuspor.

### **Türk Telekom Comfortable Life**

Work on Türk Telekom Comfortable Life –a first in the sector- employing Internet of Things technologies to interconnect daily use devices and locations and provide greater comfort to users, continued in 2017.

Türk Telekom Comfortable Life helps consumers keep track of their homes, vehicles and health in daily life, as well as take remote action immediately when necessary, and thus maintain control over their lives at all times. Offering a wide range of innovative products and services in different fields bundled and delivered directly to the customer, Türk Telekom Comfortable Life allows individuals to keep constant watch and control over their homes at all times with its 'My Home' products.

Aside from the 'My Home' products, Türk Telekom Comfortable Life also offers consumer customers the 'My Vehicle' product category, marking another groundbreaking first for the sector. These products allow users to visualize the location, as well as past trajectories, driving and performance data for their cars and motorcycles anywhere, at any time. They also notify users immediately of adversities such as robbery attempts or vehicle towing.

The products in the 'My Health' category, meanwhile, include the Chronic Illness Monitoring System, which makes it easier to keep track of chronic diseases, allowing users and their relatives to keep an eye on various predefined health-related data to enable medical intervention in the event of an emergency.

## Marketing Activities

Now is Your Time/Senin Zamanın women's portal has started to offer exclusive free-of-charge activities, mother and child content, and lifestyle tips for Türk Telekom's female customers.

To deliver the full range of Internet of Things products and services on a single platform, offering customers a better experience and the opportunity to easily integrate innovative products and services into their daily lives, the Company decided to invest in an Internet of Things Platform infrastructure, to become operational in 2018. With the development and commissioning of this platform, all of our products, which operate independently, particularly My Home and My Vehicle products, are planned to interact with each other. For instance, once you leave your home in your car, the home camera and alarm system will be activated automatically. In parallel with the platform launch, the Company will also re-launch Internet of Things services for consumers and "Türk Telekom Comfortable Life".

### Women's Portal 'Now is Your Time'

The Company launched women's portal "Senin Zamanın/Now is Your Time" to enable its female customers, who are loving mothers, to feel the privilege and advantage of being a Türk Telekom customer, and to offer them content to enrich and color their daily lives, in addition to specific communication solutions. Senin Zamanın women's portal has started to offer exclusive free-of-charge activities, mother and child content, and lifestyle tips for Türk Telekom's female customers.

### Services Making Life Easier

Türk Telekom's mobile value added services were merged under the concept of "Hayatı Kolaylaştıran Servisler/Services Making Life Easier" This new umbrella concept was launched with a lottery for customers in December 2017. The campaign motto emphasizes that Türk Telekom's services are worth the price, as customers' basic needs are met in a timely fashion and are accessible to them at all times.

## Marketing

Wide portfolio appealing to customers with more than 200 value added services and more than 40 mobile applications



Wirofon



Tambu



Playstore



muud



e-dergi



t

### Digital Payment Services

In order to provide fast, secure and easy solutions to the payment needs of Türk Telekom customers and add innovative payment methods to Türk Telekom's product portfolio, Türk Telekom Payment Services was founded in April 2013. The Company received its payment license in January 2017 and continued its operations with Türk Telekom Mobile Payment and Türk Telekom Online Payment products.

In line with the growth of the digital payments industry, the Company expanded and further diversified its service portfolio in 2017. For instance, as part of a project conducted jointly with the Social Security Institution, the social insurance premiums of those who work for less than 10 days per month can be paid via Türk Telekom Mobile Payment. Meanwhile, with the rise in mobile device penetration and usage of content designed for this platform, the mobile content and digital content services have expanded. Furthermore, discount campaigns over tech giant Google's digital media store Google Play, and campaigns by Muud and the youth segment Selfy in the scope of synergy-related efforts within Türk Telekom Group were conducted allowing Türk Telekom customers to tap into the Group synergy. Such mass campaigns throughout the year enabled users to enjoy a variety of offers.

Through a customer-centric approach, the Company has analyzed every contact point with users, set standards, and enhanced the customer experience. In this context, a separate page for the Mobile Payment product on Türk Telekom website were created, explaining the product flow with visuals, highlighting product features and providing practical information on campaigns. Furthermore, in order to boost product recognition, a short video explaining Mobile Payment was disseminated.

Through a collaboration with the company Birleşik Ödeme Hizmetleri, Türk Telekom has almost completed work on the integration of prepaid water and natural gas cards in Ankara with its Mobile Payment service.

### **Tivibu Go**

In 2017, Tivibu Go continued to lead the digital TV broadcasting sector with new technological capabilities, advanced broadcasting features and rich content. Appealing to the entire family with a vast content ranging from sports and cinema to documentaries and children, the app Tivibu Go delivers its rich programs to customers via smart TVs, as well as smartphones, tablets and PCs, inviting them to enjoy 4-screen experience. This was further enriched support of Safari Browser. In 2017, sports enthusiasts watched football, tennis, basketball, golf, box and other games live thanks to the addition of new channels to the Tivibu Go platform. Tivibu Go also brought sports fans the excitement of UEFA Champions League and European League matches, where top-flight players compete.

Tivibu Go users continued to enjoy features such as rewind, stop-and-play, replay and rent-and-play, and created different profiles to customize program flow and content according to various family members. Furthermore, thanks to Tivibu Go's rich content, users could watch series and music videos without touching any button, while changing channels thanks to their telephones' 'switch' feature. Customers who wish reduced data usage were provided the option to shift from HD to SD broadcasts. In 2018, new features will be added to existing ones. For instance, the pay-and-watch feature will enable customers to purchase single programs that are not included in their packages. The 'visitor user' feature will help all users to temporarily visit the Tivibu Go app and experience its rich universe.



### **Turkey's New Generation TV Platform Tivibu GO Launch: 2010**

Türk Telekom's TV Platform: High quality national or exclusive channels, Video-on-Demand and Replay programs

### **Current Invoice Tracker**

Türk Telekom has launched and relaunched services providing added value to customers. Postpaid mobile customers can now keep track of their expenditure anytime with the "Current Invoice Tracker/Güncel Fatura İzle" service. Users of this service are also automatically notified via SMS of their yet unbilled expenditure, on the 10<sup>th</sup> and 20<sup>th</sup> days following the invoice date.

### **Identify the Caller Plus**

The "Identify the Caller/ArayaniBil" service was upgraded to ArayaniBil Plus with the addition of new features, whereby mobile customers can learn about the identity and number of anyone who called them while their telephone was off. Thanks to the Plus service, subscribers can access the full name, phone number, number of calls, and call duration of individuals who called them when their phone was unreachable.

### **Digital Platform Project**

Türk Telekom analyzes the Marketing, Management and Communication/Access needs of its Strategic and Large-scale Customers and offers them solutions addressing their needs. These solutions also serve as benchmark for corporate customers and potential customers of similar needs. The digital platform "Bu İşte Beraberiz/We Are Together in This" was set up, bringing together success stories recounted by customers, showing contributions to customers business processes.

### **Smart Cities**

Having launched work on smart cities in previous years, Türk Telekom took the following steps in 2017:

- A contract was signed with Kars Metropolitan Municipality on Smart City Phase-2.
- A contract was signed with Antalya Metropolitan Municipality on Smart City Phase-1.
- Under the scope of the Kars Smart City project, Cloud Eye work was carried with the installation of 44 security cameras.

## Sales Activities

The Fixed and Mobile wholesales channels were consolidated under Integrated Distribution Center (EDM), integrating all products and services end-to-end.

### Retail Sales Operations

In 2017, the Company worked to introduce improvements in its wholesales channels targeting to provide products and services to customers more effectively. The Fixed and Mobile wholesales channels were consolidated under Integrated Distribution Center (EDM), integrating all products and services end-to-end.

Türk Telekom Regional Organization was restructured to improve customer experience, create a competitive edge and establish more efficient processes and effective decision-making mechanisms. As part of this restructuring, the regions were consolidated, Telekom Directorate structure was unified, commercial and support function organizations were simplified, and the responsibility and reporting relations between the central and regional structures were clarified.

Following restructuring, the office sales channel started to focused mobile and Tivibu products in addition to fixed, and initiated work on enriching device offerings. Furthermore, the Office Transformation Project was launched to improve customer experience at offices, expand the product portfolio, and meet customers' needs and expectations on design and retail atmosphere. As a part of this project, stores will become "Türk Telekom Customer Centers" providing the full range of services, responding to customer complaints, providing invoice collection and tariff change services. In addition to these, the centers will offer a large array of devices and accessories, including TVs and drones. In 2017, pilot shops were launched in İstanbul and Ankara; the number of pilot stores will continue to increase in the first half of 2018, and thereafter such stores will spread throughout Turkey.

The year 2017 was one of record consumer sales. The effective communication efforts for the "İnternetsiz ev kalmasin" and "Back to School-3 months free/Okula Dönüş-3 ay bedava" campaigns have resulted in high sales figures for fixed broadband services. In October, the Company hit the highest fixed broadband sales figure of the past 118 months.

Thanks to the positive performance of the Tivibu self-installation scheme, the special prices offered to mobile customers, and the bundle "Tivibu Mobile Discount Campaign/Tivibu Mobil İndirim Kampanyası", in October Tivibu sales hit the highest figures since the launch.

LTE was on the agenda in all channels, allowing customers to experience high-speed data connectivity. Channel campaigns such as the "TTM Stars of the Field free of charge LTE transition campaign/TTM Sahanın Yıldızları ücretsiz LTE değişim kampanyası", "SIM card upgrade campaign/Sim kart dönüşüm seferberliği" and "LTE double internet campaign/LTE 2 Kat internet Kampanyası", as well as various field actions increased use of the LTE network.

Aiming to meet all the smart device needs of its customers, Türk Telekom continued to further expand its rich product portfolio of smartphones, tablets, accessories, home phones and even game consoles in 2017.

Ahlan tariff helped the Company reach out to Arab customers and boosted sales figures.

There was an increase in the use of smart cash registers, payment registering devices and e-invoices at dealers enabling digitalization of documentation.

In 2017, the Mobile Online Transactions app started offering e-invoice, data processing consent permits and mobile application offers to reach out to customers in a fast and efficient manner. The Campaign Management Systems Integration and Mobile Online Transactions channels started to deliver special offers throughout the year. The number of packages distributed via mobile channels was doubled, and for the first time, mobile app users were offered customized Mobilist Packages, while sales of additional FUQ began. On the back of such upsells, revenues from the Mobile Online Transactions channel increased 175% over the prior year.

#### Device Management

Aiming to meet all the smart device needs of its customers, Türk Telekom continued to further expand its rich product portfolio of smartphones, tablets, accessories, home phones and even game consoles in 2017.

In August, the sales of fixed products and devices started in sub-channels to make these devices more accessible to customers. As a result, fixed devices sales in both dealer and office channels reached all-time high.

In line with its strategic partnership with the LG brand, in April Türk Telekom started marketing Türk Telekom K8 (April 2017) and Türk Telekom Stylus 3 models -manufactured exclusively to its customers with advantageous offers. In November, the Company entered into a strategic partnership with Vestel, and the Türk Telekom Venus V5 -also designed exclusively- were marketed.



## Sales Activities

Türk Telekom continued offering customers integrated solutions including fixed, broadband and mobile products in 2017; developed Smart Cities, Industry 4.0 and end-to-end turnkey solutions to make life easier for customers.

### Corporate Sales Activities

#### Strategic and Large-Scale Customers

In 2017, corporate customers were analyzed thoroughly, and reclassified. Post brand unification in 2016, Türk Telekom continued offering customers integrated solutions including fixed, broadband and mobile products in 2017; developed Smart City, Industry 4.0 and turn-key solutions so as to make life easier for customers. Accordingly, more diligent services were launched to provide more effective solutions to the needs of customers. Effective reporting systems were created for segmented customers, and new opportunities, focal points and priorities were determined.

#### Smart Cities/Campus Projects

Growth continues in the Smart City/Campus projects initiated to assist in the digital transformation of customers. Türk Telekom's focal point was Smart Management Platform projects with end-to-end management, including smart transportation, health, environment and energy components, which contribute to the technological transformation of cities to meet municipal needs.

After Karaman and Kars, Türk Telekom signed a project covering a vast product range with Antalya Metropolitan Municipality under the sponsorship of Türksat, setting an example for Turkey in general. The Company is in the negotiation process, conducting joint studies with close to 20 municipalities to develop solutions to specific issues. By enriching its smart city components and remodeling these for campuses, Türk Telekom offers similar applications to universities and provides practical, high tech solutions to its customers.

Together with its clients, the Company participated in various domestic and overseas events on digital concepts such as Smart Cities, and Internet of Things. As such, Türk Telekom keeps a close watch on worldwide developments and benchmarks, and implements these in its projects. Türk Telekom has also participated in a large number of panel discussions and conferences.



#### Industry 4.0 Projects

Industry 4.0 is of crucial importance in terms of workforce optimization, manufacturing productivity and quality, since it allows devices interact among each other via internet, enables machines to interconnect for smart production, and drives critical economic and social changes. This process is accompanied by technological progress, robotization and the Industry 4.0 revolution.

The Company has started discussions with its customers on Industry 4.0, which touches upon topics such as manufacturing flexibility in future factories, zero inventory, computer-aided design and production, autonomous systems operating independently.

Türk Telekom stands by its customers with solutions for new technologies at customers' production and development center, digital transformation that became a necessity with Industry 4.0 and technology-aided design and automation solutions. The Company has signed a collaboration agreement with GE Digital to support this transformation on Industry 4.0.

The digital transformation services to be delivered under Türk Telekom brand with the support of GE Digital, will yield performance and productivity increases in corporates' production processes. The comprehensive portfolio of solutions will include asset performance management, breakdown maintenance operations management, predictable maintenance work and production assessment and planning.

#### **Fixed Voice Projects and Developments**

Türk Telekom continues to boost customer satisfaction and lead the fixed voice market by offering customers not only conventional voice services, but also customer-focused integrated communication solutions and new generation services. With fixed voice projects, Türk Telekom has developed a leaner fixed voice tariff portfolio offering the best solutions to meet the needs of customers.

#### **Mobile Service Projects and Developments**

Smartphone usage continues to rise in Turkey as elsewhere in the world. As LTE becomes more widespread and the internet usage continues to increase among corporate customers, smartphone ownership will also increase. In order to meet its customers' smartphone needs, Türk Telekom continues to offer attractive device campaigns with a rich content, including both smartphones and mobile solutions.

#### **Focusing on Mobile VAS for Strategic and Large-Scale Customers (Bulk SMS & MMS, Mobile Advertising Products)**

In addition to standard products, Strategic and Large-Scale customers were also offered special mobile solutions (Dect to GSM, back-up, mobile radio etc.) and mobile VAS products campaigns as projects with high mobile revenue contribution.

In line with its mobile VAS focus for Large-scale customers, the Company continued to offer them Bulk MMS and SMS solutions on special days, festivals and in sale periods.

#### **Share Your Invoice Campaign**

The previously launched invoice-sharing model was developed in 2017 in order to meet customer expectations. For example,

- A special campaign for Turkish Airlines employees was designed, offering them various options with different voice and data plans, and providing gift cards and comprehensive plans.
- The İş Bankası Share Your Invoice Campaign, customized for the bank's employees, provided three different offers with different voice and data plans.

In the same way, the Company continues detailed negotiations with customers to spread the adoption of this model.

#### **Cash Register Partnership with Arçelik**

Following the new legislation passed on Next Generation cash registers, Türk Telekom and Arçelik collaborated to offer their clients convenient solutions for the replacement of their cash registers in use. In this respect, customers with ADSL and PSTN subscriptions are able to pay for new generation cash registers with built-in TT mobile lines in installments.

#### **Next Generation Fixed Voice and Value-Added Services**

In the next generation fixed voice and value added services segment, the Company continued to provide solutions to its customers via value added services planned under Virtual Switchboard and other voice product services. In particular, IP-based next generation voice solutions, TT Virtual Switchboard products and value added services are widely used.

#### **Fixed Data and Broadband Related Developments**

The transition to TTVPN, which offers customers end-to-end closed circuit solutions continues, and local customers such as municipalities and their sub-entities, banks, large supermarket chains, education institutions, hospitals and other multipoint customers in particular shifted to TTVPN. For existing customers, commitment periods were extended through speed increase campaigns.

Backup and security services became more widespread via campaigns to customers who increase their internet speed or change their package.

The Metro Ethernet product remained locomotive product as in previous years, and customers were provided reliable internet service offerings symmetrically.

#### **Developments in ICT products**

Certain outsourcing projects customers demand solutions rather than stand-alone products require the involvement of multiple solution partners. In such cases, the Company collaborates with Innova for Full House ICT projects, and with other business partners when necessary.

## Sales Activities

Via its integrated structure, Türk Telekom offers its corporate customers the convenience of a one-stop shop. Following the opening of IDC4 Data Center, the Company's data center number increased to four.

### Developments in Security Products

In response to cyber-attacks that have targeted strategic institutions and public agencies across the world in recent years, Türk Telekom has focused on safeguarding public agencies and offering strategic and local customers end-to-end solutions, providing them with security solutions at infrastructure, central locations and customer contact points.

In the security products range, concrete steps were taken in 2017 towards the establishment of the Service Operations Center and the delivery of special products and customized solutions to clients.

In recent years, customers (especially shopping malls and large stores) have started to demand new security solutions. Legally mandatory projects like the License Plate Recognition System were implemented, in which Türk Telekom has acted as a bridge between customers and institutions.

### Data Center Products and Investments

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

Within disaster site solutions, replication products and Data Back-up solution enabling physical and virtual data backup were also developed as products.

### Sales to the Public Sector

#### 5-Year PTT TTPVN Project with 4,500 Hubs

The Company signed a 5-year protocol with PTT for the transition of its 4,522 locations to TTPVN. Under this protocol, all PTT branches were connected to the TTPVN. The TTPVN product with fiber infrastructure was located at all PTT General Directorates, and the project has entered PHASE 2.

#### Mersin City Hospital

For the 1,360 bed Mersin City Hospital Information Management System Service (HIMSS), the Company is in charge of the installation and operation of the Hospital Information Management System software, Data Entry Personnel system, periphery equipment and the hospital Data Center Service. Innova and Assistt participate in the project as subcontractors. In the project carried by Türk Telekom Group, Mersin City Hospital received HIMSS6 in 2017 and became a candidate for HIMSS7.

#### TTPVN Service Protocol with Ministry of Health

The Ministry of Health's central organization and provincial organizations, hospitals, KHBs, Provincial Health Directorates, Public Health Directorates, District Health Directorates, and Community Health Centers, as well as Oral and Dental Health Centers were connected to the center over TTPVN.



## Wholesale Activities

Türk Telekom is responsible for executing sales and marketing activities towards the operators holding licenses granted by the Information and Communication Technologies Authority in line with market and customer expectations, sector-specific legislation and competition rules.

Türk Telekom's clients in the wholesale market consist of internet service providers, which are also business partners, voice operators, mobile operators, fixed data operators, directory information operators and overseas operators. Many infrastructure products and services such as xDSL, Fttx, Internet, NN services, interconnections, leased lines and data center service are delivered to all these operators at the best service quality.

In the wholesales segment, 15 account managers and six technical account managers serve 320 operators across Turkey.

In line with customer needs and market developments, the Company designs new products and campaigns, and undertakes process development/improvement actions in order to increase service quality, increases customer satisfaction by keeping track of customer complaints and service level, and delivers after-sales support services.

Türk Telekom's mission in the field of Wholesales is to provide more powerful, faster and more effective telecommunication services to all ICTA-licensed operators without discrimination, to grow and develop the telecommunication market in a balanced manner, to boost customer satisfaction and to make the sector one of the most important components of the new communication age.

"Internet Bizden/Internet on Us" campaign addressing the entire country was launched in April 2017, as one of the major actions taken to carry the Fixed Broadband Internet penetration level in Turkey (~50%) to the level of developed countries."

Regional Campaigns addressing cities with low (less than 30%) Fixed Broadband Internet penetration (664 of the 970 districts in Turkey) were designed and launched in October 2017.

Hot Spot service offering end-to-end solutions to all wholesale operators was expanded, and TT Wi-Fi service was upgraded, which now boasts a much better user experience.

Türk Telekom Group expanded its interconnection services in the last year. As such, the Company manages

- A total traffic of 88 billion minutes of voice and 34.8 billion SMS messages for 128 domestic interconnection clients,
- 627 million minutes of international voice, freephone, prepaid, "alovatan" (HCD) traffic by interconnections to 65 operators including those in Northern Cyprus.

Recognizing its position as the key player of the Turkish telecoms sector and the Wholesale Customer Services Operations, Türk Telekom delivers high quality, state-of-the-art, uninterrupted services at affordable prices to all customers in its portfolio without discrimination, by Türk Telekom Central Operations Unit, Wholesales Call Center (444 TPTN) and Allocated Regional Directorates. While delivering these services, the Company strives to go beyond customer expectations with a focus on solutions, processes and customers, to analyze the reasons as much as the results, and to operate in a participatory manner.

## Customer Care Services

Türk Telekom unified all of its Consumer Care Service numbers for all the products; mobile, broadband, fixed voice and TV under one call center number “444 1 444”.



### Consumer Customer Care Services

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

Türk Telekom unified all of its Consumer Care Service numbers for all the products; mobile, broadband, fixed voice and TV under one call center number “444 1 444”.

Türk Telekom Group serves its customers through face-to-face customer services at the Company’s offices and dealers, the call center which operates 24/7 with approximately 9,400 customer representatives in 20 cities, and the increasingly preferred self-service channels.

In 2017, Consumer Customer Care Service, while increasing customer satisfaction scores, communicated 1.2 billion times with customers across all channels.

94% of Consumer Customer Care Services traffic volume was realized over self-service channels in 2017.

Consumer Customer Services not only ensured customer satisfaction, but also continued to create added value through revenue-generating activities.

Compared to 2016, sales revenues increased by 45% in services outgoing calls, while the customer retention success rate increased by 60%.

Türk Telekom always considers customer satisfaction to be among its key targets. In 2017, Türk Telekom focused on excelling customer experience in all stages of customer life cycle.

Cross-sell opportunities were seized, as TV products to mobile subscribers and internet services to mobile and fixed voice subscribers were marketed.

In order to meet the requirements of Arabic speaking customers, services in Arabic for incoming calls and collection services, and to communication in Arabic with customers through SMS messages started to be provided.

Consumer and corporate customer persuasion activities were performed via joined retention projects, resulting in improvements in persuasion rates.

For the first time in incoming call operations, prepaid customers started to be switched to the postpaid service upon their demand. As for postpaid customers willing to switch to the prepaid service, persuasion activities were carried, contributing significantly to the mobile postpaid customer base.

Thanks to the installation of an advanced reporting infrastructure in all sales categories, the share of incoming call sales rose to 15% levels on the mobile side.

19% of DSL sales and 31% of Tivibu sales were made through customer service channels.

Consumer Customer Care Services has met all ICTA (Information and Communication Technologies Authority) targets during all periods; it responded to customer calls within 16 seconds; and made significant progress in meeting customer demands and resolving complaints, especially in residential internet.

Process designs for the EMPATHY project started, which will bring about greater customer satisfaction, especially during cases of malfunction, transfer and new installations, and will enable determination and monitoring of action plans for improvement.



#### **Customer Experience Management-EMPATHY Program**

Türk Telekom always considers customer satisfaction to be among its key targets, as it has done to date. In 2017, Türk Telekom focused on perfecting customer experience during all stages of customer life cycle. In this respect, the Company established EMPATHY Program involving employees at all levels, designed to improve the processes in customer services, operational services and internal customer experience. The program's mission is to provide innovative and top quality solutions to all needs of customers, by utilizing all advantages of technologies.

In order to improve customer experience among corporate customers, the Company designed and implemented solutions to reduce installation and malfunction times.

Customer experience maps were designed for mobile, fixed and Tivibu products to identify any problem areas in the corporate and consumer customer life cycles and necessary actions were determined. Customer experience journeys at all customer contact points were analyzed and areas requiring improvement were identified.

In cases of domestic and overseas disasters and crises, emergency actions were taken to meet the communication needs of customers, with top priority given for customer satisfaction.

## Customer Care Services

In cases of domestic and overseas disasters and crises, emergency actions were taken to meet the communication needs of customers, with top priority given for customer satisfaction.



Thanks to dedicated service management, there was an increase of around 15 basis points in the first call resolution rate of technical issues such as malfunctions and transfers.

Subsequent to the improvements post brand unification, there was a 12% improvement in social media resolution times.

Web Online Transactions, Sales and Customer Services channel continues to implement its customer-oriented approach in all channels under management, and to design user-friendly and innovative services.

Thanks to technology-related investments and improvements with a focus on customer experience, Türk Telekom Web Online Transactions channel received four awards -including one Gold Stevie- at

the Stevie-International Business Awards, one of the most prestigious business award platforms worldwide. For enabling customers perform fast, easy and secure transactions, the channel received the Gold Stevie in the “Online Transactions-Mobile”, Telecoms Web category, and Bronze Stevies in the “Online Transactions Home Telephone” and “Online Transactions-Internet” categories.

Furthermore, the channel received Bronze Stevie for “Online Transactions Internet - Bundle Offer” in the best product/service of the year category, in recognition of its smart offering schemes providing the best products and offers to clients.

While the star services channel USSD, which offers special and fast transactions to mobile customers, boosted its sales revenues by 200% through a series of innovations and developments.

Corporate Customer Services in addition to creating customer satisfaction while meeting customer demands, has also become an operation that adds value to the Company through its sales activities.

As a result of various developments and communication campaigns in line with our customer-focused and innovative approach, the number of downloads of Mobile Online Transactions increased 80% over the prior year, and the number of logins by 78%.

All these achievements were crowned with 1 Silver and 2 Bronze Stevies at the Stevie – International Business Awards, one of the most prestigious US organizations where more than 3,900 participants from more than 60 countries competed.

#### **Corporate Customer Care Services**

Türk Telekom Corporate Customer Care Services continue working to deliver the best customer experience and improve service quality to the highest level in all business processes, by various projects developed in line with the Company's vision and business strategies.

Corporate Customer Services has a structure divided into segments to meet different customer needs. 550 customer representatives at 7 locations work to address the after sales needs of our corporate customers.

Corporate Customer Services continues to manage approximately 4 million calls and 2 million emails from Mobile, Internet and Business Phone subscribers with a service approach focused on customer satisfaction.

Corporate Customer Services in addition to creating customer satisfaction while meeting customer demands, has also become an operation that adds value to the Company through its sales activities. In this regard, the unit realized an 86% increase in upselling activities over 2016, while achieving a 130% improvement in activities for customer loyalty.

Initiated to reinforce the loyalty of corporate customers in the upper segment, and to improve their customer experience, Türk Telekom Group's "Dedicated Corporate Customer Representative" service expanded by 40% over the previous year, and became capable of delivering end-to-end services to around 20 thousand customers.

The area of responsibility of the technical support team, created in 2016 to manage the Data Center problems experienced by customers of strategic importance, was expanded to cover critical products including TTVPN, NN ME, ME INT, KGH. As such, customer management performance during cases of breakdown in circuits used by corporate customers and carrying huge volumes of traffic, and during general breakdowns were improved.

## Investments and Infrastructure Projects

During 2017, the Türk Telekom mobile network's LTE population coverage rate reached 83% and the share of LTE base stations with fiber connection was realized at around 60%.

### Mobile Network

During 2017, the Türk Telekom mobile network's LTE population coverage rate reached 83% as of YE and LTE base stations with fiber connection was realized at around 60%. LTE Compatible Smartphone subscriber rate is 67% as of year-end 2017.

### Fiber Network

As of year-end 2017, the total length of the fiber optic network was 256.4 thousand kilometers. While FTTH/B by homepass reached 4.5 million FTTH/B & FTTC homepass was 16.2 million.

### Universal Project

Under leadership the Ministry of Transport, Maritime Affairs and Communications, within the scope of the Universal Service Fund Avea-Vodafone Evrensel-iş ortaklığı won the bid for delivering mobile telecoms services to 1,472 locations, which lack the infrastructure. In the business partnership, where both companies will utilize their technology and know-how, Türk Telekom Group's mobile subsidiary Avea has 51% and Vodafone has 49% stake. Within the scope of the project, all installation, management and 24/7 operations will be conducted under the leadership of Türk Telekom for three years.

### ULAK

The lab tests are completed for ULAK, the domestic LTE base station. Installation of ULAK systems in sites in the city of Rize continue for use active network.

### Türk Telekom Narrowband Internet of Things (NB-IoT)

Türk Telekom, within the scope of its smart cities vision, continues to offer high tech solutions to municipalities and contribute to the national economy. In Kars, Karaman and Antalya, Türk Telekom's digital traffic apps and smart city solutions for energy saving have received interest. Now, a new test has been initiated with BUSKİ (Bursa Water and Sewage Administration) and Baylan Water Meters. Türk Telekom plans to employ the low-energy Narrowband-IoT infrastructure to transform the water meters in buildings across Bursa into smart meters. Once the pilot project is complete, it will not be necessary to physically monitor each meter, as BUSKİ will be able to read the meters and issue bills from its center.

### MTN (Media Transport Network) Service

A system designed to carry real time data and media content at high productivity levels, MTN can transmit live broadcast content in real time in very high quality. Türk Telekom has filed a patent application for the backup mechanism of the system.

### ICTA Mobile and Broadband FUQ Project

This project will allow mobile subscribers with broadband and Fair Usage Quota (FUQ) packages to enjoy unlimited internet between the hours 02:00-08:00, and current work focuses on improving service quality with recent SMS text and invoice design.

Subscribers who choose to receive notification are notified when they reach 80% and 100% of their FUQ packages via different channels such as SMS, e-mail or IVR.

### Smart cities

Having launched work on Smart Cities in previous years, Türk Telekom took the following steps in 2017:

- A contract was signed with Kars Metropolitan Municipality on Smart City Phase-2.
- A contract was signed with Antalya Metropolitan Municipality on Smart City Phase-1.
- Under the scope of the Kars Smart City project, Cloud Eye execution was done with the execution of 44 security cameras.

## **IPTV Services**

In 2017, the following actions were undertaken for IPTV

- YouTube/UEFA applications were launched.
  - YouTube and UEFA applications were added to the interactive services on the IPTV platform.
  - Through the YouTube application, customers can directly view the content they demand on STB (Set Top Box).
- The Recommendation engine was launched.
  - The advertisement and recommendation engine was rolled out.
  - Content suggestions started to be offered according to the subscribers' viewing history.
  - Revenue is generated from ads integrated to the content and the applications.
- Pay Per View function was launched.
  - In order for Tivibu Satellite and IPTV users to purchase higher package content on stand-alone basis, Pay Per View feature was activated during the 2017-2018 UEFA Europa League and Champions League season.
  - In STBs with IP connectivity, purchases can be made on screen.
  - In satellite systems without IP connectivity, purchases can be made via SMS.
- 4K Compatible IPTV STB
  - The necessary infrastructure was created to offer IPTV subscribers 4K broadcasts.
  - High Density broadcast is planned to be offered soon.

## **Network Operations**

Via Common fault management, mobile and fixed network malfunction management is gathered under the same roof, and assessment of relationship between faults became possible. Via improvements in IPTV, malfunction management identification and resolution of such malfunctions before a customer complaint arises became possible, leading to increase in customer satisfaction.

## **Data Centers**

### **Türk Telekom Esenyurt Data Center Project**

The project resumed in 2017, and is expected to be completed by 2018. The facility, with a covered space of 27,000 m<sup>2</sup>, will have Green Building (LEED) certification along with Uptime Institute Tier III Design and Construction certifications, when completed.

### **Türk Telekom Oğulbey Data Center Project**

Oğulbey was designated as the location of the Ankara data center to be constructed. Preparations for the project is planned to take place in 2018 and it will be completed in 2019.

## **Cyber Security Activities**

### **Work on the Security Operations Center (SOC)**

Türk Telekom plans to establish and operate the largest Security Operations Campus in the region at the earliest time possible. The Security Operations Center will offer SOC products and services, and there is ongoing work on possible models the products and services will be offered. Cyber event management, cyber threat intelligence services and service continuity monitoring, as well as other cyber security products and services demanded by customers will be offered in security operations center with Türk Telekom's expertise, guarantee and quality. Meanwhile, the SOC team keeps a 24/7 watch on the security alarms and cyber event alarms on networks serving internal and external security clients.

### **Cloud DDoS Project**

For possible high-capacity attacks from abroad, an agreement was made to clear the attack abroad before reaching Türk Telekom network, with necessary infrastructure preparations having been completed.

### **Advanced Persistent Threat Avoidance and Solution Project**

Advanced Persistent Threats (APT) are target-oriented, advanced attacks aimed at seizing critical systems and data, and then using these to seize further targets, and that cannot be detected or prevented by signature-based security systems. It has become necessary to establish security systems to identify and prevent such attacks, as these attacks target a specific target or institution, can overcome traditional security systems, and operate for lengthy periods at the target institution. With this project, traffic analyses will be carried out at the internet exit points of Türk Telekom's user networks and mail systems to detect and prevent such harmful software. Additionally, there are plans to establish the necessary infrastructure to provide APT services to outside customers as well.

# Research and Innovation Activities

In a global first, Türk Telekom joined forces with Nokia to perform 5G and New Generation PON demos simultaneously in August.

The results delivered in the framework of Research and Development activities in 2017 are summarized below.

- In 2017, the number of Türk Telekom R&D Center personnel doubled compared to 2016.
- In 2017, 153 national patent applications were filed. In addition, an international patent application was filed this year in the field of Quantum Computing. A US patent application, filed in 2013, was approved this year.
- 27 academic publications were issued in 2017.
- Two EU and three TÜBİTAK Projects were launched, and one EU project was completed in 2017. Five EU and four TÜBİTAK Projects are at the evaluation stage. Within the scope of the Clear5G Project H2020 EU projects, Türk Telekom became the first Turkish operator company with research projects in the field of 5G and beyond. Twelve companies, including Türk Telekom and Argela, are involved in the project, where Industry 4.0 factory technologies of the future will be designed based on M2M by using vertical 5G applications.

## Firewall Systems Conversion Project

The firewall systems that protect the Company's critical networks and provide enterprise security services to customers have been upgraded with higher capacity devices within the scope of this project, and thus an up-to-date security layer that meets new needs has been created. Within the scope of the project, 20 firewalls were upgraded.

## ONF (Open Networking Foundation)

Türk Telekom joined the management of the US-based world-renowned technology platform ONF (Open Networking Foundation), which works on developing new generation network systems and communication technologies. Alongside with world giants such as Google, AT&T, Deutsche Telekom, Verizon and Samsung, Türk Telekom will sit on the Board of Directors of this

open platform, which monitors the latest trends in telecommunication sector and develops advanced technologies. As such, the Company became in the position to shape projects there, and even change the structure of telecoms ecosystem.

Türk Telekom has become a partner of this organization, which works on open source technologies/projects concerning Software Defined Networks (SDN) and Virtualization (NFV) technologies. Türk Telekom's aims to keep track of the latest developments in the telecommunication sector and contribute to the development of these technologies. In this respect, Türk Telekom works together with its subsidiary Argela to contribute to ONF's technologies and projects, and to offer better quality services to its own customers with advanced technologies.

## 5G and Next Generation PON

In a global first, Türk Telekom collaborated with Nokia to perform 5G and New Generation PON demos simultaneously in August. The 5G and next generation PON demos carried out at Türk Telekom Technology Center demonstrated that in locations with fiber cable infrastructure, the data transmission capacity can be increased 21-fold with PON. In fixed connections, PON technology was utilized to transmit 102 Gbps of traffic over a fiber line, while in the 5G Mobile demo, mmWave technology enabling higher speeds was tested.

During the 5G demo, where the effect of high data speed on user experience was illustrated, and Nokia's augmented reality camera OZO was utilized, which is among the pioneer application areas of 5G technology with high transmission capabilities. The 360-degree professional footage by OZO was then viewed with augmented reality glasses. At the demo, 5G's "low latency" feature for industrial environments was displayed as three robots employed 5G technology to operate simultaneously and in coordination, with a delay of only 1 millisecond. This result opens the door on new horizons, ranging from manufacturing to surgery.

### **Centralized Radio Access Network (C-RAN) Technology**

In February, Türk Telekom utilized C-RAN technology to realize Turkey's first carrier aggregation between the cells of different base stations. During the tests, features improving not only data upload, but also data download speeds were tested.

By this technology doubling connection speed and service quality in areas of high communication traffic, such as concert venues and large squares is targeted.

### **Mobile World Congress 2017 Türk Telekom 5G Demo**

Türk Telekom and Nokia presented how 5G technologies can be employed at major events with a large audience to provide smarter and higher security services during their 5G demo at the Mobile World Congress 2017.

### **Partnership with Huawei Unveiled at MWC**

At the Mobile World Congress, Türk Telekom and Huawei announced cooperation on new generation cloud network architecture, antenna technologies, and the Internet of Things (IoT), as well as the development, testing and implementation of new technologies that will make significant contributions to public safety.

### **CommiTT App**

The CommiTT app developed by Türk Telekom engineers achieved worldwide success. CommiTT, which manages voice and data traffic, and automates device configurations to ensure their more productive operation, received the first prize in the "Customer-Focused Business Models" category of the ICMG's IT Architecture Excellence Awards 2017.

At the 2017 Global Telecom Awards, the Company received the Managed Services Innovation of the Year Award for its uSON Powered Managed Services.

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

As Turkey's first startup accelerator initiated by the private sector, PILOT received close to 2,000 applications during its five stages. To date, the 45 startup graduates of the program have received TL 2 million in cash.

### **Türk Telekom's PILOT enterprises go global**

The fifth term graduates of PILOT, the first startup accelerator program launched by Turkish private sector, participated the world's largest tech conference Web Summit 2017. During these five terms, Türk Telekom's PILOT program graduated 45 entrepreneurs on topics such as e-commerce, training and cloud technologies, big data, augmented and virtual reality technologies. TL 2 million in cash was extended to PILOT enterprises. The 35 enterprises supported until 2016 have yielded a turnover of TL 6 million, and employ 141 personnel, a clear indication of the program's crucial support to the national economy.

### **The Fifth Stage of PILOT**

In the fifth stage of PILOT, Türk Telekom lent its support to 10 enterprises in areas such as augmented reality, artificial intelligence and other high technology projects. The Artiwis, Birfatura, Frizbit, Mobilya Takip, Nara, Optiyol, Propars, SaltCommerce, Vexrob and Visar teams completed PILOT's fifth season with success and graduated from the program, each receiving cash grants of TL 75 thousand, and having the opportunity to assess partnership prospects with Türk Telekom. The teams received 80 hours of training on business model development, growth models, agile development, digital marketing, sales and investor presentation. These teams had the opportunity to work with Türk Telekom's expert professionals and top names of the start-up ecosystem, participating in 300 hours of meetings with 100 mentors. The teams also benefited from the Company's office space, cloud services worth 100 thousand dollars, communication support for the promotion of their projects and mobile communication packages. Those teams able to develop a Minimum Viable Product (MVP) based on a validated business model presented their MVPs and business models to the leading investors of the Turkish entrepreneurship ecosystem at the "Demo Day" event organized at the end of the program.

At the Demo Day event organized in the context of fifth season of PILOT, Türk Telekom CEO Dr. Paul Doany delivered the opening speech, underlining the great importance of startups for national growth and the battle against unemployment: "Our support approach extends from enterprises at the idea stage to enterprises of high growth potential where the product has already been commercialized. We shall carry this support to the next level with the establishment of our Corporate Venture Capital company. Furthermore, we will very shortly provide a brand new opportunity for entrepreneurs: We are creating a platform open to anyone -entrepreneurs, visionaries, inventors and innovators. Currently under development, this new platform will be a meeting point for all those interested in entrepreneurship."

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

# Human Resources

Türk Telekom has a lean, agile and focused organizational structure to maintain growth and profitability, and serve its strategic goals more effectively.

## Türk Telekom Human Resources

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

The Group offers service in every corner of Turkey with a highly experienced and professional workforce of 34,502, among 18,394 from Türk Telekom and 16,108 from its subsidiaries.

At Türk Telekom, 20% of employees are women and 80% of employees are men. At Türk Telekom subsidiaries, women account for 55% and men account for 45% of employees.

At Türk Telekom, 9% of employees hold master's and doctoral degrees, 35% bachelor's degrees, and 37% associate degrees; these rates stand at 3%, 34% and 26% for Türk Telekom subsidiaries.

At the Company, 49% of employees are aged between 21-35, 27% between 35-45, and 24% are above 45 years old. As for its subsidiaries, 77% of employees are aged between 21-35 and 20% are aged between 35-45, while 3% are aged above 45. As such, Türk Telekom's average age is 36, while average age is 31 at Türk Telekom subsidiaries.

## Trade Union Relations/Collective Bargaining Agreement

The 12<sup>th</sup> collective bargaining negotiations between Türk Telekom and the Türkiye Haber-İş labor union began on May 8, 2017 concluded with an agreement on September 20, 2017. The agreement covers almost 12 thousand unionized Türk Telekom employees as and will be effective for two years from March 1, 2017 until February 28, 2019.

## The Restructuring Process

Türk Telekom has achieved a leaner, agile and focused organization structure better able to serve its strategic goals and ensure sustainable growth and profitability.

Türk Telekom's main goals in this restructuring are as follows:

- Generating efficiency and synergy by singularizing commercial functions providing joint services, and preserving Retail and Corporate Customer focus in line with our customer-oriented operational model,
- Harmonizing sales and customer service functions to deliver customers high quality services and provide a consistent customer experience across all channels,
- Ensuring that all corporate functions (Technology, Finance, Human Resources, Regulation, Support Services, Legal, Strategic Planning and Business Development, etc.) contribute to the delivery of business results more effectively and efficiently.

In this process, the Company optimized managerial roles at the Head Office and regional directorates. Organizational changes brought about improvements in the employee per manager rate, by creating a lean and agile organizational structure. As a result of the restructuring process, the roles and responsibilities of the new organizational units were determined.

## Performance Management

In 2017, The evaluation of the performance of approximately 9,100 employees were completed for 2016 performance year, and about 6,500 employees received feedback from their managers. In 2017 performance year, target setting meetings were organized deploy senior management's targets among directors, and target setting and review efforts covering about 8,500 employees were completed. For 2018 performance year, target setting meetings to deploy management targets to director level was carried.

## Recruitment

In 2017, 943 intern technicians were permanently hired by Türk Telekom Group via İŞKUR's Technician Internship Program. In 2017, Türk Telekom hired 204 employees: 170 employees for the Head Office, and 34 employees for Field Management.

### **Türk Telekom Academy**

Türk Telekom Academy, Turkey's largest integrated corporate academy continues to offer training programs that support employees' career development. Using the most up-to-date educational technologies, Türk Telekom Academy provides training and development programs on 500 different topics, with 639 in-house trainers at 141 locations.

### **Türk Telekom Academy Business Schools**

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

These are Leaders School, Technology School, Marketing School, Sales School, Customer Services School, Human Resources School, Finance School, Agility School, Occupational Health and Safety School and In-house Trainer School, which together offer structured and holistic training programs to employees.

During January-October of 2017, employees' personal development and professional needs were met through the Personal Development School, Business Unit-specific schools, technical expertise training programs and Leadership programs. 16,030 employees had trainings in total, and while 14,343 of them were specialists and 1,687 held managerial positions.

The Leadership School continued to support leadership development at all levels within the organization significantly.

In collaboration with Massachusetts Institute of Technology's Sloan School of Management, the Company carried Leadership Development Program customized for senior managers.

47 volunteer employees and 70 Türk Telekom Academy in-house trainers joined forces to launch a Technology Campaign covering Turkey's 38 cities. In the period from September 7 to November 29, 2017, more than 5 thousand people were given training on the internet, social media and mobile apps aboard the Türk Telekom Education Truck and in classrooms at Türk Telekom Regional Directorates, to raise our country's general technological literacy level.

At the Türk Telekom Academy, employees were offered Coaching and Internal Mentorship programs contributing to their lifelong learning process. Manager development workshops and junior manager training programs were organized. Employees with high performance and high potential were offered specially designed talent management programs. In collaboration with universities,

the Company designed university curricula presenting students the telecommunication sector. Various online platforms and English speaking clubs were organized to help employees hone their foreign language skills.

Twice each month, Türk Telekom Academy also organizes Technology Platform program. During live broadcast sessions of around one hour, speakers provide information on technologies shaping the present and future such as Industry 4.0, Big Data, Smart Cities, Transformation of Technology, Dance of Sectors, Internet of Things, IPTV and Next Generation Digital Technologies. The program's videos are uploaded to internal communication portal Türk Telekom Port, allowing access of user anytime, anywhere.

In addition, Türk Telekom Academy now publishes the e-magazine Akademi Güncel, to help employees comprehend and follow technologies of the future. To date, the quarterly magazine has covered issues such as Bitcoin, BlockChain, Virtual Reality, Augmented Reality and Artificial Intelligence, which are shaping our future. All four issues of the Akademi Güncel e-magazine are accessible via the Türk Telekom Academy portal.

### **Orkestra Integrated Talent Management Process**

The Orkestra system represents Türk Telekom Academy's integrated approach to talent management and aims to place the right people in the right positions, while providing them with the right developmental support.

Orkestra is composed of three main phases: Performance Management, Talent Management (Potential Appraisal) and Training/Development (Development Planning). 2017 year-end performance reviews, 360-degree competency appraisals and potential appraisals were completed for about 8,324 employees. Employees' assessment results and development needs were analyzed on business units level at 61 Talent Management Committee Meetings. In order to create organizational sustainability, backup plans were made for executives above a certain level. To extend the scope of backups for critical expertise, the Company started Critical Position Identification efforts.

Assessment/Development Center and Development Consultancy Programs were carried out to support employee development. In 2017, 250 employees received Development Consultancy and 150 employees received Assessment/Development Center services via in-house resources. These instruments allow employees to assess their development needs together with their managers; then, action plans are drawn up and monitored. Approximately 1,400 employees working at Head Office and Regional Offices made vertical career moves (promotion) in 2017. Three awards were taken from the most prestigious business awards with Career and Talent Management systems and programs in 2017.

Assessment/Development Center, and Development Consultancy Programs were carried out to support employee development.

### **Preparing Türk Telekom Managers for 5G with “Future Technologies Program”**

Türk Telekom Academy has launched the “Future Technologies” program for managers on technologies shaping our future. The training program for two separate manager groups took place in Helsinki, and Türk Telekom managers had the opportunity to experience first-hand advanced technologies such as Internet of Things, 5G technology, IP video, cloud technologies, virtual reality and augmented reality.

### **University-Industry Partnership: “Telecommunication Certificate Program from the Master”**

Launched in 2015, the “Telecommunication Certificate Program from the Master” is designed to resolve the telecommunication sector’s major nationwide challenge, namely the lack of qualified intermediate staff, and to invest in the youth and prepare them for business careers. Within the scope of the project, end-to-end Telecommunication Technologies Application Labs were set up at 14 universities, with curricula addressing sector needs. In these labs, 163 Türk Telekom Academy trainers deliver 350 hours of digital training on 23 subjects. The target is the graduation of more than 700 students from the 14-week program annually.

### **Training, Sales and Business Development Activities**

In 2017, the Training, Sales and Business Development Department was set up within Türk Telekom Academy. The department provides Türk Telekom Academy’s training and development programs to other companies. By establishing the Training, Sales and Business Development Department, Türk Telekom Academy aims to become the education solutions partner of various businesses through its expert in-house trainers, digital training solutions and university partnerships. In 2017, Türk Telekom Academy met the education needs of numerous public and private institutions.

### **Educational Technologies**

By employing alternative education technologies in addition to in-class training, in 2017, Türk Telekom increased the share of e-learning in total individual training hours to 20%. The e-learning course catalogue was made available to all employees, the Academy Video Recording Studio was established, and to date, nearly 200 videos have been recorded. Various shooting techniques were employed in video productions. “Türk Telekom City Game Portal” project was completed in November, and will be open to all employees interested in new training technologies. Through the use of Virtual Reality, both “OHS Training” and “Türk Telekom 4-Service VR” applications have been expanded across the organization. As a result of these efforts, the Academy received the Best Technology Supported Development Program award at the TEGEP association’s education awards event.

### **Agile Studio**

In 2017, the Agile Studio provided in-house learning, development and consulting services exclusively through internal resources. With the purpose to create a cultural shift towards an agile organization and enhance agility and agile practices across the Company. The Agile Studio also delivered training on agile methods to Innova and TOFAŞ in 2017.

### **Türk Telekom START Young Talent Program**

In 2017, START Young Talent Program received 24,711 applications. Of these, 10,340 applicants who met the requirements took the General Aptitude and English Language tests. A thousand candidates passing these tests participated at the assessment center, and 321 successful candidates attended one-to-one interviews. Ultimately, 17 candidates were hired for full-time, permanent positions, while 33 were hired as interns. During the year, intern/part-time vacancies were filled with candidates selected from the Türk Telekom START candidate pool. The fresh graduates hired under the Türk Telekom START program graduated, participating in “START development program”, orientation program, field visit, class training, coach interviews, rotation process, mentorship program, and innovation project processes.

### **New Channels in Employee Training**

Alternative channels such as the instant notification application and digital screens went live, increasing their use in communication with employees. Single announcements were reduced in number, while e-mail communication became more efficient and effective. Furthermore the effectiveness of employee notification channels such as Gündem (Agenda), Cuma Postası (Friday Post), among others, were measured, and improvements were made in areas such as design. The interface of the joint communication platform of all Türk Telekom employees, namely Türk Telekom Port, was renewed and relaunched with a more user-friendly design. The latest issue of the internal communication magazine Santral focused on assessment 2016, and Company's transformation towards a leaner and more agile organization, and reached out to employees over Türk Telekom Port.

### **Internal Communication Projects**

Different projects were implemented to increase the motivation and engagement of employees. In order to make employees feel that the Company is at their side at special moments such as starting work, marriage, birth or the death of a relative, and to leave a greener world for future generations, the Türk Telekom Memorial Forest Project has been realized, with planting on behalf of employees, who then receive a certificate.

The project "Discovering the Writer Within" was realized to nourish reading culture among employees, and to encourage employees to pen books in their areas of expertise. Within this scope, the first book written by Türk Telekom employees was determined, and 3 thousand copies of it were printed with a Türk Telekom Academy logo and distributed to employees. In addition, the "Book Gift" Project was initiated to increase the self-development awareness of Türk Telekom employees and to encourage reading. Within the scope of the project, which raised ample interest, the books that employees could not find, or afford were identified through questionnaires and delivered to employees.

### **Instant Awards**

Within the scope of the Instant Award campaign, initiated to spread the culture of appreciation and award across Türk Telekom, 192 employees were rewarded for their success stories in 2017.

### **Inventor Idea Development System**

Launched in 2016 with the motto "This Idea Will Work!", the Inventor Idea Development System encouraged 815 inventors to come up with 1,322 new ideas. After an objective assessment, the Innovation Committee rewarded 19 inventors for their implementable ideas in 2017.

### **Employee Events**

In 2017, over 186 employee events reaching 20,841 thousand employees were held under different Türk Telekom Directorates and Assistant General Manager's Offices with the target integrate various teams and to assess processes, targets and current situation. Employee satisfaction rate was 4.43. Employee satisfaction was high at these events designed under the concepts of team spirit, collaboration, and achievement with shared effort.

### **Türk Telekom Social Clubs**

In 2017, the social activities club organized a series of events such as Play Station Tournament with Ronaldo, Parents' School Talks, Cinema Contest, Breathing Therapy, and "Back to Work and School", helping employees to have fun moments at the workplace and reaching out to them in non-work issues as well. Furthermore, in response to demand from Türk Telekom employees in questionnaires, the process to create Türk Telekom Social Clubs started.

### **HR Awards**

Türk Telekom Human Resources was deemed worthy of numerous national and international awards in 2017, closing the year with sizeable success.

- Mr. Şükrü Kutlu, Assistant General Manager of Human Resources, Regulation & Support at Türk Telekom, was named among The 50 Most Powerful CHROs in Turkey, according to the results of a survey conducted by Fortune Turkey and DataExpert research firm.
- In 2017, the Stevie International Business Awards, the world's premier business awards program awarded Türk Telekom:
  - Bronze Stevie in the category Achievement in Workforce Development and Learning - EMEA,
  - Bronze Stevie for Türk Telekom Academy's "Orchestra Internal Assessment and Development Center Practices",
  - Bronze Stevie in the Skills Training Program or Media category for the "Device and Foreign Language Workshop",
  - Bronze Stevie in the Managerial Training Program or Media category for the "Proficiency Training for Dealerships".
- At the Global CCU Awards, Türk Telekom Academy was named "Best Corporate University - Holistic Human and Digital Approach".
- At the Brandon Hall 2017 Excellence Awards,
  - Türk Telekom Academy Development Consultancy Program was deemed worthy of a Bronze prize in the "Best Unique or Innovative Talent Management Program" category,
  - Orchestra Talent Management Strategy was deemed worthy of a Bronze prize in the "Best Advance in Creating a Talent Strategy" category.
- Türk Telekom was deemed worthy of Internal Communication Award from Golden Compass.
- "The Most Popular Firm" award at Kariyer.net's Respect Award ceremony.
- At the TEGEP Awards, Türk Telekom Academy received the Best Technology Supported Development Program award for its "OHS School" and the Project Making a Difference in Social Contribution award for the "Telecoms Certificate Program from the Master."

# Investor Relations

In 2017, the Investor Relations Department met with around 400 equity and bond investors during investor conferences and roadshows, particularly in New York and London.

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

The Company's main shareholders are Ojer Telekomünikasyon A.Ş. (55%) and the Undersecretariat of the Treasury (25%), and Turkish Wealth Fund (5%), while the remaining 15% is publicly traded at Borsa İstanbul (BIST).

In June 2014, the Company issued two Eurobonds with 5-year and 10-year maturity - each in the principal amount of USD 500 million and with semi-annual coupon payments. The Company's Eurobonds with maturity on June 19, 2019 and June 19, 2024 trade on the Irish Stock Exchange.

As of year-end 2017, the Group's market capitalization reached USD 5.95 billion. Doing its utmost to comply with the Capital Markets Board's Corporate Governance Principles, Türk Telekom enjoys a transparent and close relationship with investors, and equally protects the interests of all shareholders and stakeholders.

Investor Relations Director also serves effectively as a member of the Corporate Governance Committee. The Company offers online training programs to raise awareness for regulatory compliance and takes the utmost care to ensure that internal processes are carried out in compliance with applicable laws and regulations.

In 2017, the Investor Relations Department attended 20 equity and bond investor conferences at various locations, particularly in New York and London; the Department met with 272 investors at these events. Additionally, during the year, meetings were held with 42

equity and bond investors during roadshows at various locations across Europe, the USA, the UK and Asia. Türk Telekom Investor Relations expended great efforts to provide complete responses to all information requests received, and met with almost 400 equity and bond investors in total throughout 2017.

### **Almost 200 institutional investors base worldwide**

According to the latest survey conducted by an independent service provider in December 2017, Türk Telekom has almost 200 institutional investors base worldwide. The survey reveals that "value-oriented investors" constitute the majority of the investor base. In addition to the "value-oriented investors", index and growth among the investment styles with a share in distribution.

The Company's institutional investor base is composed of funds based mostly in Europe (30%), the USA (29%) and the UK and Ireland (15%), with the remainder from other locations of the world (Singapore, Lebanon, and Turkey, etc.). 24 brokerage firms actively cover Türk Telekom; a very high figure among Turkish corporates.

### **Investor Relations Website**

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

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

# Sustainability & Corporate Social Responsibility

In 2017, Türk Telekom's social responsibility projects were carried over to the digital sphere under the name of "Value to Turkey".

## Sustainability Initiatives

### Energy efficiency and Renewable Energy

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

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

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

Türk Telekom reduces carbon emissions by replacing air conditioners in system rooms with next generation Free-Cooling air conditioning units with low energy consumption. The Smart Metering Project enables the Company to monitor energy consumption in detail, and when necessary, in real time. In addition, services formerly running on older generation systems are transferred to next-generation transmission systems. These modifications result improvements at maintenance and operations, as well as energy savings, room upgrades and increased service quality.

Meanwhile, sustainability efforts undertaken at offices, as well as building/room optimization projects provide space savings, leading to drastic reductions in energy consumption for cooling purposes. Environmental practices such as the use of energy-efficient light bulbs, heat insulation and jacketing, public transport, building automation, an eco-friendly car fleet, paper recycling, electronic document management system,



centralized printing, e-learning, tele-presence, and video conferencing help to increase recycling rates and overall savings, while reducing carbon emissions.

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

### Smart Cities

Türk Telekom has undertaken numerous initiatives to uphold its mission of sustainability. One of these initiatives is Smart Cities, whereby the Company devises integrated solutions customized for each province, through new generation urbanization perspectives and city technologies, and as such, enables cost cutting and a more sustainable social life. To make life easier for citizens and public authorities by employing information and communication technologies, Türk Telekom Smart Cities collects and processes data from different channels such as sensors and vehicles, and helps to make forward-looking decisions. City life becomes more practical with the next generation applications offered under the categories of smart traffic, smart environment, smart healthcare, smart security, smart energy and smart management.

Türk Telekom became the first telecommunications company in Turkey to report to the Carbon Disclosure Project (CDP), and continued to make reportings in 2017.



In this scope, Turkey's first integrated new generation city project was implemented in Karaman. In continuation, Antalya and Kars are also transformed into new generation cities. The smart applications devised by Türk Telekom were integrated into public services and urban life. Public services ranging from traffic to healthcare, as well as energy saving schemes can now be controlled from a single interface at the Smart City Operation Center. The project has come to include over 20 applications including smart traffic, environment, healthcare, security and energy schemes. The new generation cities in locations with smart systems serve public interest. For instance, the new generation city applications in Karaman and Antalya have already brought about a 25% reduction in electricity consumption and a 30% reduction in irrigation. The reduction in the time spent in traffic has resulted in a 25% decrease in carbon emissions and nearly

40% reduction in road accidents. On the other hand, more than 400 individuals with chronic diseases started being monitored and checked in a periodic manner. More than 100 thousand individuals enjoyed Wi-Fi services in public spaces, accessing information free-of-charge. The smart city model, currently implemented in three cities, will be extended across the 81 cities in the future.

### Carbon Disclosure Project

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

In 2017, Türk Telekom resumed its disclosures to the Carbon Disclosure Project,. Türk Telekom has calculated its carbon emissions and disclosed these to the global CDP system, to take back its place in the struggle against climate change. Türk Telekom's results for 2017 were designated at level D. Until the next reporting period, Türk Telekom will set itself strategic targets and further reduce the carbon emissions that are manageable at Company level.

Throughout Turkey, Türk Telekom Group provides information technologies – the main driving force behind sustainable economic growth and social development.

### Corporate Social Responsibility

Throughout Turkey, Türk Telekom Group provides information technologies – the main driving force behind sustainable economic growth and social development.

In addition to the products and services it develops, Türk Telekom aims to provide information access to all segments of society that cannot fully participate in social life due to economic, social or physical reasons. Accordingly, it executes projects under the principal of “accessible communication for everyone”. Additionally, Türk Telekom supports the UN’s Sustainable Development Goals with its business practices and CSR projects.

Projects such as Life is Simple with Internet, Telephone Library, Sunlight, Loud Steps, Türk Telekom Schools and Türk Telekom Amateur Sports Clubs are carried out under the roof of “Türkiye’ye Değer” (Value to Turkey) brand.

In 2017, Türk Telekom’s social responsibility projects were carried over to the digital sphere under the name of “Value to Turkey” brand. Life is Easy with Internet project was launched to increase internet literacy in Turkey, and ensure that all social groups can access the internet to meet their needs. The project reached out to immigrants living in Turkey as well with the addition of Arabic language support in 2017. In order to support the education of immigrants living in Turkey, the Company will undertake further innovative social responsibility projects in 2018.

#### Value to Turkey Website

Launched in December 2017, the Value to Turkey website unites Türk Telekom’s corporate social responsibility activities nationwide. The website includes detailed information and videos with verbal description and subtitles on the Company’s corporate social responsibility projects such as Life is Easy with Internet, Telephone Library, Sunlight, Loud Steps, Türk Telekom Schools and Türk Telekom Amateur Sports Clubs, all of which are designed to enable economically, socially or physically disadvantaged social groups to access information, in line with our principle of “Making communication accessible to all”.

On the website, it is possible to examine the cities included in the project, and also to view various projects in a single city. The website, which features a user-friendly layout and interactive content, has been designed in line with WAI Web Accessibility Initiative’s WCAG 2.0 Guide, which outlines the accessibility rules for websites at an international level.

#### Life is Simple with Internet

Addressing people unfamiliar with, and thus unable to utilize the potential of internet, “Life is Simple with Internet” project acquaint them with the online world via internet literacy training programs. The Project is carried out with the cooperation of Türk Telekom, Habitat Association, and the UNDP (United Nations Development Program). The main purpose of the Project is to provide everyone an equal opportunity to access information by eliminating regional and economic inequalities. Therefore, the primary target group consists of adults, and especially women, aged over 25, who live in priority cities for development – 54 cities in total, and who either lack, or have limited internet skills. To date, 30 thousand people have become internet literate. In 2017, a mobile app was developed for the project so that everyone can access its educational content anywhere. The mobile app also has an Arabic version so as to offer practical solutions to refugees in their daily lives via internet.

#### Telephone Library

Following the principle of providing equal access to information, Türk Telekom launched Turkey’s first Telephone Library project – Books on the Phone – in collaboration with Boğaziçi University’s Technology and Education Laboratory for the Visually Impaired (GETEM). Thanks to the Telephone Library Project, visually impaired Türk Telekom customers can access hundreds of audio books for free by dialing 0 800 219 91 91 from their home phones. Visually impaired Türk Telekom customers first subscribe to GETEM and then receive a password to access audio books free of charge.

In 2017, Books on the Phone project launched “Talking Paintings”, a descriptive gallery that enables visually impaired users to listen to descriptions of 20 famous paintings.

Currently, the Telephone Library consists of more than 1 thousand audio books and other content in more than 50 categories, including poetry, novels, history, personal development, and practice exams, as well as movies with narration. Users can mark their place in an audio book and resume listening from the same point, rewind or fast forward, as well as slow down or speed up audio book playback, and find books easily via the audio menu.

In 2017, Books on the Phone project launched “Talking Paintings”, a descriptive gallery that enables visually impaired users to listen to descriptions of 20 famous paintings. On September 11-17, a physical version of the exhibition was held at Uniq İstanbul to reach out to more art enthusiasts. Celebrities from media, arts and politics also voluntarily read out texts on various works of art within the scope of Talking Paintings. For instance, the Minister of Transport, Maritime Affairs and Communications Ahmet Arslan read out the verbal depiction for Gentile Bellini’s portrait of Mehmed the Conqueror on display at London’s National Gallery. Other contributing celebrities included Haluk Bilginer, Mustafa Sandal, Jülide Ateş, Nazlı Çelik, Arda Türkmen, Gülay Afşar, Cem Öğretir, Özge Uzun, Şeref Oğuz and Arzum Onan. The Talking Paintings exhibition was visited by 6 thousand people. Telephone Library, launched during the “Talking Paintings” exhibition at Unique Maslak, will continue to deliver innovative services in 2018 that facilitate the daily lives of visually impaired citizens.

To help visually impaired citizens access the latest news, the Company joined forces with Anadolu Agency, integrating leading news stories with the library. Telephone Library was listened to for 5 million minutes, while the mobile app developed in 2016 was downloaded more than 17 thousand times and Voice to Books app -making it easier for volunteers to read out books for the visually impaired- was downloaded more than 15 thousand times.

Cash recognition feature was added to Türk Telekom’s Telephone Library app developed for the visually impaired acquired a banknote recognition feature at end-November. The cash recognition function allows the visually impaired to make payments with ease at shops, supermarkets and in taxis, or whenever required, even when they are offline. Developed in response to the demands, suggestions and completed questionnaires of the visually impaired, this is currently Turkey’s one and only cash recognition app.

At the 16<sup>th</sup> edition of the Gold Compass Turkey Public Relations Awards organized by Turkish Public Relations Association (TÜHİD), the Telephone Library/Talking Paintings app was awarded the Special Jury Prize. Furthermore, as an app that upholds sustainable development targets by eradicating inequalities and contributing to equal opportunities in access to information, Telephone Library was accepted to the Business Call to Action (BCtA) program for its support for the social participation of disadvantaged/low income groups, marking an important international achievement. At the prestigious European award event, the “European Excellence Awards”, the “Talking Paintings” project received Turkey’s Best Project Award.

### **Sunlight Project**

Launched in 2014, the Sunlight Project is designed to provide assistance at an early stage to children with limited vision so that they can live without dependency on others, and attend integrated schools, instead of schools for the visually impaired.

In Turkey all children vision is below a certain threshold are normally classified as “fully blind” and sent to schools for the visually impaired. The Sunlight Project helps to identify the vision level of children with visual impairment and to increase the awareness to use their visual skills effectively. The Sunlight Project is the only such project in Turkey offering distance early response education thanks to Türk Telekom’s technology and infrastructure.

2 hundred children in 2017, and 700 children overall from 58 provinces in total have received this special education for individuals with limited sight. Within the framework of his project, Türk Telekom developed and launched the Sunshine Game application, which aims to help children with limited sight improve their visual abilities and eye-hand coordination. To date, the application has been downloaded 2 thousand times.

The Sunlight Project was deemed worthy of the “Best Social Responsibility Project” award at the Best Business Awards, organized by UK’s prestigious award and assessment company Awards Intelligence.

### Loud Steps App

Developed by Türk Telekom Loud Steps is a smartphone app that allows the visually and hearing impaired to move around in complex structures such as shopping malls, campuses and airports without requiring outside assistance. The app allows the visually impaired to find their destination in public areas by themselves without the assistance of others, and to comprehend their surrounding at any given moment. The project was launched in 2014.

Independent of telecoms operators, the Loud Steps app provided voice only directions to the visually impaired in 2014 over their smartphones depending on their location; but started to provide this service to the hearing impaired through simple icons in 2017. The app is available in 47 buildings such as Chicago Lighthouse, İstanbul Technical University, Kars Governor’s Office, Ulu Mosque, San Francisco Lighthouse and Ministry of Youth and Sports. The app has been downloaded by 30 thousand individuals and used 200 thousand times to date.

### Türk Telekom Schools

Within the framework of the Türk Telekom Schools Program, one of the pioneers in social responsibility programs for education, 76 Türk Telekom educational buildings (including 52 school buildings) were constructed across Turkey and handed over to the Ministry of National Education. Each year, thousands of students graduate from these modern educational facilities.

### Türk Telekom Amateur Sports Clubs

Aware of the positive effect of sports on youth development, Türk Telekom provides support to amateur athletes in various sporting disciplines. Out of about 5,020 supported athletes from 44 cities specialized in 32 sporting disciplines, from basketball and fencing, to athletics and badminton, hundreds were selected for national teams, and have proudly represented Turkey in international competitions.

## Erişilebilir bir yaşam için görüntülü çağrı merkezi Türk Telekom’da



### Accessible Life

The purpose of the Accessible Life project is to make all touch points become accessible to Türk Telekom’s customers so that disabled customers can access products and services more easily. “Accessible Products” included an advantageous bundle consisting of 4 products - mobile, broadband, fixed voice and TV- a first time in Turkey- continued to be offered at a reasonable price. Select Türk Telekom stores in İstanbul, Ankara, Antalya, Bursa, İzmir and Adana were rearranged with the concept of “Accessible Architecture” and made ergonomically accessible to the disabled. The accessible architecture measures include ramps for the disabled, surface lines for orientation, induction cycle systems and Braille embossed signs. The architectural transformation continues at select locations and the project will be extended across Turkey in 2018.

At stores renovated along the principles of accessible architecture, employees were given Turkish Sign Language training. Furthermore, training seminars for communication with the disabled were organized at sales points across Turkey to enable accurate communication with disabled citizens. Certified sign language interpreters at the call centers also provide translation services to hearing-impaired customers on all products related to mobile, residential internet and Tivibu. Additionally, disabled customers can access the call center without any waiting time.

In order to make women's lives easier and help them socialize and get in touch with the latest technologies, Türk Telekom launched the Technology Campaign in September 2017.

### Accessible Life App

Offering solutions to the daily problems of the disabled, the services of Türk Telekom's Accessible Life App touch the lives of these individuals. Developed to meet the standards of accessibility, the mobile app features a variety of services that enrich and simplify the lives of the disabled. The app comes with a cash recognition feature, the first of its kind in Turkey, making life easier for the disabled by ensuring a safer shopping experience. The "Read Out the Text" feature also allows for the active social participation of the disabled, as it can read out texts on papers, on walls or on other surfaces. The app's "Add Subtitle to Video" function, meanwhile, creates automatically generated subtitles for videos uploaded by the disabled. The "E-Book" feature gives the visually impaired an equal opportunity in accessing information as it allows them to listen to audio books downloaded to their phones. The app's "Where Am I" function helps disabled individuals locate themselves, listen to this information, and share it with loved ones.

### Accessible Career Service

The Accessible Career Service shares send SMS messages to Türk Telekom mobile customers to inform them of job adverts for the disabled and any related news. As such, the Company contributes to the personal development of the disabled in providing them a new recruitment channel that shares job adverts from their city.

### The Technology Campaign

In order to make women's lives easier and help them socialize and get in touch with the latest technologies, the Company launched the Technology Campaign in September 2017. Initiated in Ordu on September 7, the campaign reached across 38 Turkish cities, from Çanakkale to Ağrı, and from Erzurum to İzmir. Women received training on the internet and social media applications on "Türk Telekom Education Truck", redesigned as a technology classroom, and at Türk Telekom's Regional Directorates. In total, 5 thousand individuals received direct training from Türk Telekom Academy trainers. The education program indirectly reached 20 thousand individuals, and the "Türk



Telekom Education Truck" travelled 11 thousand km -almost equal to Earth's diameter- in 51 days. During the training, participants were trained on basic internet usage, including social media and the e-state portal. Furthermore, they also learned about using different communication and search apps such as Skype, Google Maps, and Türk Telekom's brand new smart keyboard app Tambu. This project targeting women drew ample participation from a wide array of social groups, such as disabled individuals, the police force, and municipality employees in the cities visited.



The Company plans to continue the Technology Campaign and expand its scope in 2018 with the aim to facilitate lives of women with the power of technology.

#### **“Now is Your Time” Website for Women**

Türk Telekom created a website for women named “Now is Your Time”, accessible at [www.senzamanin.com](http://www.senzamanin.com). The portal features healthy living and nutrition tips, and suggestions for mothers, as well as sports and make-up videos, practical recipes and information on cultural activities. Furthermore, the portal includes a special calendar to inform women about activities in their province. With the website [seninzamanin.com](http://seninzamanin.com), Türk Telekom’s female subscribers are offered special communication solutions, as well as content that add value and color to their lives.

#### **Free Online Homeschooling for Students with Special Educational Needs**

Sebit supports the home education program provided by the Ministry of National Education to school-age children unable to receive formal education due to health problems via its digital education programs. In a social responsibility project initiated in 2015, Sebit collaborates with the Ministry of National Education to offer its digital products free-of-charge to all students that require a special education, from pre-school to high school level. This collaboration continued in 2017. The home education efforts undertaken within the scope of the Fatih Project aim to provide education for individuals with special educational needs, and to improve the quality of education services.

# Türk Telekom Group Companies

Argela undertakes research, development and innovation activities in the field of next-generation telecommunications technologies, and develops intellectual property for 5G technologies.

## ARGELA

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

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

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

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

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

Wirofon is a new generation communication platform available to all operators' subscribers, which enables the instant messaging, as well as images, video or audio files, and sharing, free-of-charge HD quality audio or video chats. Subscribers with Türk Telekom home lines



**173**  
Employees



**47**  
5G Patent  
Applications

can login to the Wirofon app with their home phone information and call any fixed or mobile number. During the call, subscribers can use the minutes included in their home line tariff, without paying any extra fees. As such, in Turkey, subscribers can use their home phone as a mobile wherever they want, and when abroad, they can dial Turkey at domestic call tariffs.

Marking a first for Turkey, Tambu is a new smart keyboard app compatible with many platforms and that can be downloaded to smart devices. Designed specifically for the Turkish language, Tambu offers rich content including text completion, correction and translation, as well as animated stickers, GIFs, a proverb catalogue, and different keyboard themes.

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

Argela works with various universities in Turkey on next generation technologies such as 5G, software defined networks, and network function virtualization, cyber security, self-organizing mobile networks and big data.

Argela works with various universities in Turkey on next generation technologies such as 5G, software defined networks, and network function virtualization, cyber security, self-organizing mobile networks and big data.

Headquartered in Istanbul, the Company has R&D facilities in Ankara and Sunnyvale, California, USA. In 2017, to improve its international recognition and create new business prospects, Argela developed business partnerships in several countries.

#### **ProgRAN (Programmable Radio Access Networks)**

The ProgRAN solution, which Argela's US based subsidiary Netsia has been developing for some time, provides scalable and flexible architecture for 5G technologies, and thus enables the provision of a high capacity, customized network and service solutions to address the mobile communication needs of the future. Netsia has installed its special LTE testing platform running on ProgRAN technology in the test environments of prominent American and European operators. To this date, the ProgRAN test platform has been delivered to the following operators:

- Telefonica (October 2017)
- Verizon (November 2017)
- Orange (December 2017)

#### **Software-Defined Networking (MILAT) Project**

Within the scope of the Software Defined Networks Project (MILAT), Argela was tasked to meet the cyber security needs of The Turkish Armed Forces within the framework of the agreement signed in December 2015 with the Undersecretariat of Defense Industry. Related activities were completed in 2017 to develop a Software Defined Networks solution to be used in Public Security and 5G project infrastructures. In 2017, Argela applied for numerous patents at the US Patent and Trademark Office under ProGRAN and Softwared Defined Networks. Furthermore, Argela, joined the "Open



Network Foundation (ONF)" Consortium that develops tools and platforms based on Software Defined Networks and Virtualization of Network Functions for networks and applications of various sizes. Argela plays an active role with its solutions in two large-scale ONF projects. Argela is one of the companies making important contributions to the 5G architectural design project "M-CORD" built within the ONF, based on Software Defined Networks, Virtualization of Network Functions, and Cloud technologies. Argela's partners in this project are mainly the world's leading companies and telecom operators.

The Argela 5G Excellence Center, launched in February 2017 to develop 5G technologies, was opened in Ankara.

### **Fourth Generation Communication System Development Project (ULAK)**

In 2013, Argela for the first time expanded into a new industry outside telecommunications when it was selected to carry out the Fourth Generation (4G/LTE) Communication System Development Project (ULAK) of the Undersecretariat for Defense Industries. Under this project, Argela cooperates with businesspartners to domestically develop all the hardware and software components of base stations with LTE communication technology. These base stations will be used by both mobile operators and government and institutions working for public safety.

Following the successful implementation of ULAK Project in the field, operators will continue developing the features as they prefer.

### **Türk Telekom Network Transformation**

Today, telecoms networks are rapidly transferred to the cloud by means of virtualization technologies, and turned into programmable and sliceable software-based structures. Türk Telekom also aims to transform its network through a long-term program, by employing software-based technologies such as SDN (Software Defined Network) and NFV (Network Function Virtualization), and preparing it for 5G. In this context, Argela will play an active role in determining the right architecture and strategy for Türk Telekom network's transformation, by researching and developing the technologies to be used, and adapting open source projects to the network.

### **5G Excellence Center**

Argela 5G Excellence Center, launched in February 2017 to develop 5G technologies, opened its doors at a ceremony hosted by Türk Telekom CEO Paul Doany and Argela CEO Bülent Kaytaç and attended by Prime Minister Binali Yıldırım, Minister of Transport, Maritime Affairs and Communications Ahmet Arslan, Minister of Science, Industry and Technology Faruk Özlü and President of the Information and Communication Technologies Authority Ömer Fatih Sayan.

More than 30 academics from numerous universities work at the 5G Excellence Center, which conducts activities to help Turkey become a country that develops and exports 5G technologies. In this regard, Argela 5G Excellence Center carries out the following efforts:

- Testing and developing network virtualization technologies for LTE and 5G,
- Conducting tests and demos on real systems,
- Carrying out activities within an ecosystem including universities and local companies,
- Functioning as a center of interoperability, certification and training for LTE and 5G.

The Center is also used for testing and developing various virtualization technologies in a lab environment, within the scope of the Türk Telekom Transformation Program.

As a subsidiary of Türk Telekom, AssisTT is also moving closer to become the brand that sets call center standards with a robust technological infrastructure, efficient human resource management and service excellence approach.

### AssisTT

AssisTT was founded in 2007. In addition to call center services, AssisTT has become a strategic partner for its clients, providing value added end-to-end services to sector leading private enterprises and public institutions.

In 2017, the Company started to provide “Data Entry Services” with 237 personnel at Mersin City Hospital, which has 1,360 beds and a daily patient capacity of 12 thousand.

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

AssisTT confirmed its achievements on the international platform by receiving 3 gold prizes for “Best Call Center”, “Best Outsourcing Business Partnership” and “Best Technology Innovation” at the global finals of the Contact Center World Awards, one of the most prestigious award organizations of the worldwide contact center sector.



**12,174**  
Employees



**20**  
Cities



**26**  
Locations



Production of  
**585** Million  
Minutes

Innova delivers end-to-end solutions to meet all the IT requirements of Turkey's leading companies in the telecoms, finance, public, health, retail and service sectors.

### İNNOVA

Innova IT Solutions is Turkey's leading software developer and systems integrator. The Company operates two main offices, in Istanbul and Ankara, as well as being present in 12 other locations across Turkey. It recently became the only company ever to have been named on the Deloitte Technology Fast50, an index of the fastest growing Turkish technology companies, for twelve straight years.

Innova delivers end-to-end solutions to meet all the IT requirements of Turkey's leading companies in the telecoms, finance, public, health, retail and service sectors. Innova has moved beyond the borders of Turkey with the solutions developed with its own resources. It increased the number of countries that it exports to 37 across four continents.

#### **Innova is moving up on the ICT Top 500 List every year.**

Compared to its ranking in 2016, Innova rose by two places to 27<sup>th</sup> on the 18<sup>th</sup> edition of the "Bilişim 500" (ICT Top 500) list, which ranks information and communications technology companies in Turkey based on their net sales revenue. Furthermore, according to the results of the Bilişim 500 (IT 500) Survey, Innova won the first prize by achieving the highest sales revenue in the Business Practices of The Year category.

#### **Kiosk Innova Center becomes first R&D Center for Self Service solutions.**

Kiosk Innova, the self-service and smart solutions brand of Innova -Türk Telekom's IT solutions provider- has recently gained R&D Center status. The Kiosk Innova R&D center plans to develop innovative solutions with high added value, and lead the industry in terms of self-service and automation solutions.



**1,311**  
Employees



**37**  
Export  
Countries

Thanks to this R&D Center status, Innova aims to bring together its business partners and academics in the self-service solutions field, which harbors an immense potential, and to develop innovative R&D projects through collaborations with universities.

Delivering end-to-end solutions to various sectors under its brand Kiosk Innova, Innova is Turkey's largest solutions provider in the field of self-service solutions. Kiosk Innova brand's superior solutions are implemented with success not only in Turkey but also in numerous other countries.



**New product for collecting doubtful receivables: PayFlexSmartCollect**

On October 4, Innova launched its new product PayFlexSmartCollect, which allows corporations running large-scale operations to manage their doubtful receivables during early collection period and collection processes.

**New product launch: PayFlex BIG**

By using PayFlex Bank Interface Gateway (BIG), which has recently joined the PayFlex product family, companies can consolidate their account activities in different banks on a single platform and easily integrate these to their accounting, or ERP systems. Thanks to this solution, companies can reduce their operational workload related to accounting and collection, and automate these processes.

**Smart City Projects**

**Kars Smart City Project:** In Kars, installing more than 800 devices/equipment/sensors in 12 locations, the Company initiated the Smart City Management Platform complete with YöneTT WiFi, Cloud Eye, Smart Lighting, Smart Intersection, Smart Parking, Meteorological Observation Stations, Air Quality Measurement and City Access Point solutions. Kars city administration can now monitor and manage these apps from a single center. The initial phase of the project was delivered in March 2017, and the second in October 2017.

**Antalya Smart City Project:** In Antalya, the Company launched the Smart City Management Platform in October 2017 to operationalize the YöneTT WiFi, Smart Lighting, Smart Irrigation, City Access Points, Panic Button and Chronic Patient Monitoring schemes.

**Expansion of Burulaş Transportation System Card Top-Up Kiosks:** Bursa's Card Top-Up Kiosks, designed by Innova, was introduced in 2015 at metro stations. Recently, these kiosks have also been placed at bus stops in the city center.

Innova has moved beyond the borders of Turkey with the solutions developed with its own resources. It increased the number of countries that it exports to 37 across four continents.

### **Halkbank Queuing System Project**

At 1.000 Halkbank branches, the Company initiated a project to transform the queuing system. As of December 31, 2017, the system was commissioned at 100 branches.

### **Ziraat Bank - Collection Solutions for Member Merchants**

Ziraat Bank has opted for the PayFlexVirtual POS Server to provide electronic collection solutions to its member merchants. In 2017, the bank replaced its previous technical infrastructure and started to receive cloud solutions services. Thanks to this seamless and secure service provided via Türk Telekom IDC, Ziraat Bank has reduced its IT operations workload and lowered costs.

### **Viva Kuwait - PayFlex Value Management System Integration Now Complete**

Kuwait's largest telecoms operator Viva Kuwait has opted for PayFlex VMS in the collection infrastructure used by the dealers that serve subscribers. PayFlex VMS has significantly reduced Viva Kuwait's operational workload thanks to deposit/limit management, order management, product/price management, performance measurement, and field sales team management modules, as well as prepaid mobile top-up, bill payments, PIN generation, subscription and various business models on regular payment schemes.

### **Pegasus - Cabin Management System Integration**

Pegasus targets to attain high operational efficiency by reducing paperwork via digitizing all actions performed by cabin managers before, during and after flight, and thus boosting service quality and team motivation, eradicating data loss and communication delays, and ensuring continuous access to up-to-date data.

### **Hepsiburada - Payment Gateway Integration**

By PayFlex Payment Gateway application designed especially for Hepsiburada, consumers can apply for consumer loans according to specific criteria, while shopping online at Hepsiburada.com.

### **Sürat Kargo TTPVN Installation and Maintenance Project**

850 DSL modem devices were installed at 850 locations managed by Sürat Kargo.

### **Central Bank of Turkey's Network System Project**

Türk Telekom developed an end-to-end integral communication project for the Central Bank of Turkey, employing more than 5 thousand Cisco IP phone and integral communication applications.

### **İGDAŞ Maintenance and Support Project**

Launched as an ERP project in March 2013, the İGDAŞ Project has become a support contract as of 2017. The support project covers additional improvements for subscription, accrual, operation, maintenance, investment, internal installation, customer relations, human resources, financial affairs and procurement processes.

## Health Campus Projects

**Mersin City Hospital:** Innova has integrated all the software necessary for continuity of the Hospital City Management System at Turkey's first city hospital, Mersin City Hospital. The Company also installed the data center and integrated all hardware, network and other IT infrastructure necessitated by this software. Innova will also be in charge of the operation and management of the system for five years.

**Bilkent City Hospital:** Innova carries the implementation and operation of Hospital City Management System of Bilkent City Hospital, which will become the world's largest healthcare complex once complete. For the delivery of this service, Innova will provide the necessary software, install the data center to run the system, deliver all the hardware, network and other IT infrastructure, integrate this system with other systems and services, operate said hardware and systems, and manage Data Entry Personnel.

### Innova collects 3 Stevie Awards in 2017

Innova received three awards in the Human Resources category of the Stevie Awards for Great Employers 2017 organization, for its Extraordinary Leaders Development Program. The Company collected;

- a Gold Stevie in the "Problem-Solving Training" category,
- a Silver Stevie in the "Interpersonal Skills Training" category
- a Bronze Stevie in the "Professional or Legal Training" category.

### Great prizes for great Innova projects

Innova's Accelerated Financial Transformation Project developed for Türk Telekom was a huge success at the HANA Innovation Awards 2017. The project was acknowledged as a remarkable example of innovation, and deemed worthy of becoming the Honorable Mention Special Award Winner 2017 amid fierce competition.

### Innova's SAP Project for İGDAŞ received the Enterprise Resource Planning of the Year Award

Innova's Enterprise Resource Planning project for İGDAŞ won the Enterprise Resource Planning of the Year Award at the SAP Projects of the Year award ceremony.



### SIRA DIŞI PROGRAMA SIRA DIŞI ÖDÜLLER!

Innova İnsan Kaynakları tarafından geliştirilen liderlik gelişim programı **Sıra Dışı Liderler**, Stevie Awards for Great Employers 2017'de **3 ödül kazandı!**

[www.innova.com.tr](http://www.innova.com.tr)

**innova**

### Ten awards to Innova in 2017

In 2017, Innova was deemed worthy of several awards given by research companies focused on the Turkish IT sector, and by its international solutions partners including:

- Deloitte Technology Fast50 Turkey 2017: The only company for 12 years in a row (2017)
- Deloitte Technology Fast50 Turkey 2017: Big Stars Turkey (2017)
- Stevie Awards for Great Employers 2017:
  - Gold Stevie for Problem-Solving Training
  - Silver Stevie for Interpersonal Skills Training
  - Bronze Stevie for Professional or Legal Training
- Bilişim500 Number One in the Business Applications of the Year Category (2017)
- Beetech 2016 Awards, First Prize in the National-International Support Category (2017)
- Fortinet- Best Managed Services Partner of the Year Award (2017)
- HANA Innovation Awards: Honorable Mention Special Award (2017)
- Microsoft Best Digital Transformation Project

Turkey's leading education technologies company, Sebit, leads the way on the education approach of the 21<sup>st</sup> century with its 30 years of R&D know-how and international presence, thereby shaping the education dynamics of the future.

### SEBIT

As Turkey's largest educational technologies company with 30 years of R&D experience and international presence, Sebit contributes to educational transformation by deriving strength from the synergy within Türk Telekom and through the innovative use of technology.

As a subsidiary of Türk Telekom, Sebit serves not only in Turkey, but also abroad with the educational solutions it has been developing since its inception and offers national and international solutions designed to deliver social benefits and for specific individual needs.

Having realized numerous groundbreaking achievements to date, Sebit is one of the main players -in Turkey and worldwide- of the transformation objective in the education sector, with the vision of "IT Supported Interactive Education". The Company's brand awareness that started with Akademedi in 1998 increased with Vitamin. Its product and service portfolio has expanded steadily, continued to shape educational transformation.

Sebit plays a leading role in Turkey with its educational products and services. These include Turkey's first computer assisted education application, the first numerical video application in education, the first 3-D animation application, the first 2-D educational game, the first 3-D educational game -Piri the Explorer Ship- and the first educational search engine.

Sebit's educational products, which are developed by a staff of 215 professionals based at the METU (Middle East Technical University) Teknokent in Ankara and the Arizona State University-Skysong Innovation Center (U.S.A.), are used by many students and teachers worldwide.

Conducting its studies with a highly competent and creative workforce, Sebit has proven its pioneering role by receiving numerous awards, and is recognized as one of the best educational technology companies in the world.



**218**  
Employees



**5**  
Countries  
Operated In

### Fatih Project

Having joined Türk Telekom Group in 2007, Sebit contributes to educational development in Turkey. The company plans to bring equal opportunities in education, provide product diversity in learning and remove the obstacles to participative education with the new education system and products designed deploying mobile information and internet Technologies.

The products and services developed by Sebit were delivered to millions of students and thousands of teachers within the framework of the Fatih Project.

**Content Activities:** Within the project framework, the Courses section of the Education Information Network-EIN (the official portal of the Fatih Project, [www.eba.gov.tr](http://www.eba.gov.tr)), which enables curriculum monitoring over a learning management system, was integrated with Sebit's Vitamin and Lisego platforms. With the addition of pre-school, and primary school 1<sup>st</sup> and 2<sup>nd</sup> grade curricula, the number of students and teachers served by Sebit via EBA expanded in 2017. During the activity period, the curricula of the basic courses for the 11<sup>th</sup> and 12<sup>th</sup> grades continued to be uploaded to EBA courses.

**VClassroom:** Concurrently, VSınıf (VClassroom), Sebit's "Interactive Classroom Management" software, was updated in accordance with feedback received from schools. Additionally, Sebit's "Content Development Ecosystem Platform" on EIN (Education Information Network) is actively used by teachers, and as such that they can also participate in the digital content development process.

**Teacher Training:** Professional development training for teachers, which started in 2015 and continued into 2016, was organized in 2017 as well. The third training season, designed to hone public school teachers' skills in e-content development, took place at the Sebit office in Ankara on January 16-20, 2017.

The HTML5 Content Development Platform VFabrika, which enables teachers to easily create original e-content by grouping together students with different skill sets, was put to the service of teachers over EBA in 2017. The first VFabrika training seminar took place in February 2017 with the participation of 70 teachers from various provinces, and the second training seminar took place in July 2017 with 56 teachers, at the Sebit office.

**VCollab:** Sebit's innovative social platform VCollab consistently provides single point of role-based access (such as teacher, student, and administrator) to different EIN functions in accordance with educational purposes. VCollab was launched towards the end of 2016, and performance enhancements and feature improvement efforts continue in response to its increased use. In this context, its increasing usage in schools is observed.

To present and promote the Project locally and internationally, Sebit participated in the BETT Show in the U.K in partnership with the Ministry of Education, and GESS exhibitions organized in Turkey for the first time with participation of many international companies - with the FATİH Project as its theme. The Ministry of Education mostly showcased Sebit's products and services at its booth in the BETT show with Sebit.

Sebit participated in the third Fatih Project Training Technologies Summit as one of the main business partners of the Fatih Project. The Company organized two panel discussions and two workshops at the event, showcasing the products and services it offers within the project at its booth.

### **Raunt: a new generation solution for university exam preparation**

Developed by Sebit, Raunt is the first and only customized university exam preparation product in Turkey. Raunt was launched in the retail market and was offered to private and public school students preparing for the university exam. Following the product development and improvement efforts undertaken in 2016 and 2017, Raunt is used in classes from 9<sup>th</sup> to 12<sup>th</sup> grade in private schools.

Offering a personalized counseling service, study plans and rich digital content, the website [www.raunt.com](http://www.raunt.com) and Raunt Mobile Application are designed to prepare students for university exams throughout the preparation process.

Sebit rapidly completed work on the compliance of Raunt with the new university entrance system announced by the Higher Education Council in October. Raunt's smart structure, score system, test exams, subject curricula and other digital features were adjusted according to the new exam system. YKS Test Exams were launched after the completion of these changes.



As a subsidiary of Türk Telekom, Sebit serves not only in Turkey, but also abroad with the educational solutions it has been developing since its inception and offers national and international solutions designed to deliver social benefits and for specific individual needs.



**30**  
Years of  
Experience

### Next Generation Educational Sharing and Collaboration Platform SebitVCloud

Put to the service of private schools in 2017-2018 academic year, Turkey's first New Generation Educational Sharing and Collaboration Platform SebitVCloud has been designed by Sebit to rapidly transform the education environment of these schools. In its first year, the product, which starts a new era in educational technologies, is in user almost 90 thousand students, teachers and administrators in close to 130 private schools.

With Sebit VCloud, aimed at introducing all the education trends of the new age to schools, students participate in the process with a personalized educational approach. They are able to carry their social and academic know-how to the future through the product's digital "Portfolio" within learning environments based on collaboration and continuous communication.

This comprehensive education solution, which allows schools' educational as well as managerial and productive processes to be managed from a single point, can be customized for each institution, and offers a variety of advantages for all stakeholders including administrators, teachers, students and parents. Academic collaboration supports users' 21<sup>st</sup> century skills by means of its continuous communication, instant follow-up and instant feedback features. The system extends learning beyond the walls of the classroom, by enabling students to communicate within a dynamic educational collaboration environment where they can continuously interact with peers and teachers.

### DinamikMAT

DinamikMAT is Turkey's one and only "smart question generating system." For 5<sup>th</sup>, 6<sup>th</sup>, 7<sup>th</sup> and 8<sup>th</sup> grade mathematics classes, it can formulate an unlimited number of short answer or multiple choice questions. DinamikMAT's algorithm can derive countless versions of the thousands of question types present in the Ministry of National Education's curriculum.





In exercises prepared by teachers using DinamikMAT, questions can measure the progress of every student, and they can be differentiated according to the student's level.

#### **Sebit Overseas**

With innovative and effective use of technology, Sebit powers ahead towards becoming a global leader in educational technologies. Company's products have been available in numerous countries to date.

VCloud not only serves teachers and students in Turkish public and private schools, but is also being enhanced based on the requirements of overseas projects, through analysis and adaptation studies. In this respect, the Company has joined forces with Microsoft to carry out pilot studies not only in Turkey, but also in Latvia, South Africa, Azerbaijan, France, the USA and Mexico. Sebit participated in the BETT Education Technology Fair in London in January 2017 and presented VCloud solution during the event.

#### **EU Projects**

The learning analytics project LEA's Box, supported by the European Commission's R&D framework program was successfully completed in 2017. Under this project which leads numerous European R&D studies in the field of competence-based learning analytics, data collected from numerous sources is processed by analytics tools to calculate competence levels and formulate a "learning model".

In addition, analytical tools are being developed to evaluate project-based learning activities, particularly those used in STEM education. Sebit develops "gamification" techniques to increase individuals' commitment to the learning method in individual

learning schemes. Sebit's consortium, which combines the Company's know-how in "gamified" learning environments with 14 European partners, was granted the largest financial support in this field from the European Commission's 8<sup>th</sup> R&D Framework Program (Horizon 2020, H2020).

In the BEACONING Project, initiated in 2016, Sebit played an active role, especially in the design of learning analytics functions and interfaces, and carried out pilot implementations in 2017.

#### **Socio-technical Design in Higher Education**

Sebit has created socio-technical design to adapt its one-on-one education model for the MEB-Fatih Project to higher education.

Initiated in 2016 and supported by the Ministry of Development, with a novel approach on a global scale, the project focuses on the design of a higher education system centered on serving society, and integrated with digital technologies, as well as the creation of application road maps.

By process modeling, Sebit's educational experts will determine the details of the educational process, its interaction with research and application projects, and the role of the digital infrastructure in this context. The architectural and functional components and application plans for the technical platform that will complement the education model have been completed. Work has been done on the design of the sub-systems that will allow the platform to operate with its internal and external components. The launch meeting for the project was held in September in Kayseri with substantial participation, and the project's preliminary outputs were shared with the public.

Türk Telekom International operates International Data, Internet, Fiber Optic Infrastructure, Wholesale Voice and Mobile Roaming activities with its subsidiaries in 17 countries.

### Türk Telekom International

Türk Telekom International is the Türk Telekomünikasyon A.Ş. Group company in charge of International Data, Internet, Fiber Optic Infrastructure, Wholesale Voice, and Mobile Roaming activities and operations. Acquired by the Group in 2010, the company had operated as Pantel International, before being rebranded as Türk Telekom International (TTI) on May 1, 2013.

Headquartered in Budapest- Hungary, Türk Telekom International operates via its subsidiaries in 17 countries. It offers the following services to fixed and mobile telecommunications operators, international alternative infrastructure operators, domestic and overseas internet service providers and corporate enterprises located in more than 40 countries in Central and Eastern Europe, Turkey, the Middle East, the Caucasus Region, Central and South Asia and the Far East:

- Full range of internet and data communication,
- IP Transit service,
- Network planning and applications,
- Integrated networking operations,
- Fiber optic infrastructure and access,
- International and local voice wholesale services,
- Management of roaming and services,
- Overseas Information Technologies and Telecommunication Consultancy,
- Customer management from a single center



**326** Employees  
in **17** Countries



**40 thousand km**  
Fiber Network

Thanks to a fiber optic network that exceeds 40 thousand km predominantly in Central and Eastern Europe, Türk Telekom International provides a major contribution to Turkey's and Türk Telekom's goal of becoming a telecoms bridge and data hub between Europe and Asia, while strengthening the country's global standing in the industry. The Company offers internet and IP services to numerous operators and companies via 72 PoP's in 22 countries.

In addition to providing communication services and products to overseas companies and operators, the Company carries Türk Telekom's international data and internet communications at a capacity of 7 Terabytes per second.

In 2017, the Company reinforced its position as the region's dominant player supported by the power of globally recognized Türk Telekom brand and via expanding towards Eurasia and widening its product portfolio. The Company is expanding its sphere of activity through new business partnership projects aimed at obtaining a significant share in the digitized world and offering diversified products to its customers.

Türk Telekom International became a full member in the SEA-ME-WE 5 consortium of 19 leading operators for the fifth generation international submarine fiber optic cable line of the SEA-ME-WE System.

#### **SEA-ME-WE-5**

Türk Telekom International became a full member in the SEA-ME-WE 5 consortium of 19 leading operators for the fifth generation international submarine fiber optic cable line of the SEA-ME-WE System. The SEA-ME-WE-5 submarine cable system, officially launched in Istanbul in February 2017, and extending from Singapore to Marseilles, covers a distance of 20,000 kilometers. The first land connection point of the system in Europe is Marmaris.

The Marmaris Land Station provides access to Istanbul, Edirne, other cities in western Turkey and Turkey's border connections via Türk Telekom and Türk Telekom International's fiber optic networks, and to European PoP's via Türk Telekom International's fiber networks in Europe. It also provides a route with full back up to the SEA-ME-WE-5 cable system as it passes through the Mediterranean. The first activations over this route were realized in 2017 and traffic began to be transferred to the new cable system.

#### **New Routes and Connections between Europe and Asia**

**TASIM:** The terrestrial based telecommunication link with minimum latency between Europe and Asia extends from Turkey to China. Consortium works have reached a certain stage regarding technical and trade details pertaining to the TASIM (Trans-Eurasian Information Super Highway) route to China, which passes through Turkey, Georgia, Azerbaijan, the Caspian Sea and Kazakhstan. In addition to offering high quality, fast alternatives between Europe and Asia, this Project will also provide connections to Caucasian, Eastern European and Middle Eastern countries.

**AMEERS:** AMEERS is a land fiber optic network consortium project jointly created by Middle Eastern operators and Türk Telekom International. The project has established a high quality, secure and fast route between Europe and the Middle East. The route first connected Frankfurt to Dubai, and was subsequently extended to Singapore with the participation of new members to the consortium.

#### **Multiplying Turkey's internet exit points and trajectories**

In order to limit the impact of internet malfunctions arising from human error or natural catastrophes, Türk Telekom International worked on the multiplication of its network's border exit points and routes throughout 2017. A new exit point was added to existing ones along the Bulgarian border in early 2017. In addition, a new exit point was installed on the Greek border, with connections to alternative routes beyond. In order to enable the Med-Türk submarine cable, which starts in Istanbul, to carry a higher internet capacity, its technological infrastructure is being upgraded.

## Türk Telekom Group Companies

At the Global Carrier Awards, organized by Capacity Magazine and viewed as the most prestigious award in wholesale telecommunication services, Türk Telekom International was granted awards in two categories



**72** POP  
in **22** countries

### New Products and Services

In 2017, the Company carried out projects for geographic expansion and the backing up of its existing routes in Turkey, and also undertook efforts and investments on the IP products side to transform Turkey into a center of attraction in international data. The objective of these efforts is to ensure that international content companies can access Istanbul over Türk Telekom International's infrastructure and can store their data there, starting from the first quarter of 2018. Those content companies who tap into this service will store their data in data centers within Turkey, and thus will no longer have to take this data beyond Turkey and then bring it back in. As such, TT Group's customers will enjoy a much faster internet experience.



### Awards

At the Global Carrier Awards, organized by Capacity Magazine and viewed as the most prestigious award in wholesale telecommunication services, Türk Telekom International was granted awards in two categories, namely "Best Carrier in Eastern Europe and the CIS Region" and "Best Customer Testimony". "Best Carrier in Eastern Europe and CIS Region" title was granted to Türk Telekom International, in recognition of its innovative and visionary development strategy, and extraordinary performance across the European wholesales telecoms market. "Best Customer Testimony" award, on the other hand, is a reflection of the international wholesales telecoms community's appreciation of Türk Telekom International, which has been providing the best service to customers with different needs and expectations in a wide geography and achieving continuous growth through new partnerships and a pioneering approach in past years. In addition, the SEA-ME-WE-5 cable system received the "Best Subsea Innovation" award. TTI was deemed worthy of The Bizz award by the World Confederation of Businesses (WORLDCOB).



# Important Developments after the Accounting Period

## Regulatory Disclosure dated 15.01.2018

### About Corporate Venture Capital Company

Via our Company's regulatory disclosure dated 15.11.2017, we announced that, our Company had decided to establish a Corporate Venture Capital (CVC) Company. The transactions in relation to the incorporation of the CVC Company are ongoing.

This public disclosure is made by our Company under article 23 paragraph 7 of CMB's Material Events Communiqué numbered II-15.1, and relevant legislations.

## Regulatory Disclosure dated 19.01.2018

### Update regarding Treasury Share Payments Notification

Via our Company's regulatory disclosure dated 06.12.2017, we announced that provisions enabling restructuring of treasury share, contribution share to universal service, contribution share to Authority expenses, administrative fee, wireless fee, penalty fee and ancillaries thereof under dispute or under examination, had been stated with 7061 numbered law Amending Some Tax Laws and Other Laws by adding provisional clause to Law no 406 on Telegraph and Telephone Law.

Within the scope of the provisional clause, our Company's wholly owned subsidiary Avea İletişim Hizmetleri A.Ş. ("Avea") has decided to utilize the restructuring provisions regarding treasury share, contribution share to universal service, contribution share to Authority expenses, administrative fee, wireless fee, penalty fee and ancillaries thereof which are the subject of finalized investigations and related litigations. Accordingly, all existing disputes in this scope will be resolved.

Total amount calculated in this context is TL 312,180,719 which includes TL 210,462,569 principal and TL 101,718,150 interest (based on Domestic Producer Price Index, Yi-UFE). Payment will be made in six equal installments (plus deferred payment interest) in two-month periods beginning in January 2018.

Regarding this subject, TL 119,927,494 (principal TL 66,697,174, interest TL 53,230,320) were provisioned at 30 September 2017 dated consolidated financial statements. The remaining amount is planned to be provisioned at 2017 Year End financials.

After the related decision, there has been no change in our consolidated EBITDA guidance of TL 6.3 billion and TL 6.4 billion levels, which was announced on July, 25<sup>th</sup> 2017.

In order to ensure that the legitimate interests of our Company and our investors are protected until the studies to clarify the processes related to the subject of the utilization of restructuring provisions of Avea mentioned in this disclosure are completed, insider information disclosure was decided to be postponed pursuant to article 6 of the Material Events Disclosure Communiqué numbered II-15.1 by the Capital Markets Board (CMB). This disclosure is made based on the fact that the reasons for postponement have been removed, and under article 23 paragraph 7 of CMB's Material Events Disclosure Communiqué numbered II-15.1, and relevant legislations.

## Regulatory Disclosure dated 08.02.2018

### Guidance for 2018 Consolidated Financial Results

Under current circumstances, guidance for 2018 is as below

- Consolidated revenue growth (excluding IFRIC 12) to be around 11% over 2017

- Consolidated EBITDA to be at TL 7.0 billion and TL 7.2 billion levels

- Consolidated CAPEX to be around TL 3.5 billion

## Regulatory Disclosure dated 09.02.2018

### Audit Committee Charter

Audit Committee Charter, which was approved by the resolution taken by our Company's board of directors on February 8, 2018, is attached.

## Regulatory Disclosure dated 11.02.2018

### About Corporate Venture Capital Company

Via our Company's regulatory disclosure dated 15.11.2017, we announced that, our Company's decided to establish a Corporate Venture Capital (CVC) Company. The CVC Company was established as of February 9, 2018. with the name of "TT Ventures Proje Geliştirme A.Ş."

## Regulatory Disclosure dated 27.02.2018

### About News and Rumours

On 25<sup>th</sup> -26<sup>th</sup> of February 2018, there were some false claims on the media regarding our Company's 2017 Consolidated Financial Statements, and Independent Auditor's Report.

As per the new requirements in the independent auditing standard ("BDS 701"), applied for the first time for 2017 annual period, independent auditors need to communicate the key audit matters in detail along with auditor's opinion. Similar information and explanations in that context for other publicly listed companies are also included in the independent auditors' opinion for the disclosed financial statements.

The communication on key audit matters included in the independent auditor's opinion that are explanatory in nature are misrepresented in the press, as if such information is the audit opinion. In the explained key audit matters, there are no issues that impact the independent auditor's opinion negatively. In the audit of consolidated financial statements of Türk Telekom Group, the explained audit procedures in the independent auditor's report have been applied and unmodified opinion was expressed in the independent auditor's report.

The statement by the Independent Auditor of our Company, KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. on the related subject sent to our Board of Directors is attached.

This public disclosure is made by our Company under article 9 of CMB's Material Events Communiqué numbered II-15.1, and relevant legislations.

# Dividend Distribution Proposal

Subject to the provisions of the Articles of Association of the Company, our Board of Directors have agreed that a proposal be made for the following decisions to be approved at the Ordinary General Assembly Meeting for the 2017 fiscal year;

As a result of the activities carried out by our Company between the 1<sup>st</sup> of January 2017 and 31<sup>st</sup> of December 2017, our Company's profit according to the independently audited consolidated financial statements, which are prepared in accordance with the provisions of the Capital Markets Board "Communiqué on Principles of Financial Reporting in Capital Markets numbered II-14.1"; is TL 1,135,532,329.14 while its commercial profit calculated within the scope of the provisions of the Tax Procedure Law is TL 2,370,578,044.73;

1. TL 1,135,532,329.14 profit after tax calculated according to the consolidated financial statements is to be taken as basis in dividend distribution in accordance with the Capital Markets Board Communiqué on Dividends numbered II-19.1,
2. There are no previous years losses to be deducted in the profit distribution table, in accordance with the Article 11/1 of the Communiqué on Dividends numbered II-19.1, due to the fact that our Company has available resources except for the profit for the period which the previous years' losses should primarily be set off against,
3. It is not necessary to set aside reserve funds for 2017, in accordance with the 519<sup>th</sup> Article of the Turkish Commercial Code, due to the fact that our Company has reached the upper limit of the general legal reserve funds,
4. TL 1,135,532,329.14 net profit is to be set aside as extraordinary reserve funds in order to further strengthen the balance sheet structure of our Company.

# Conclusion of Affiliation Report

## 01.01.2017 - 31.12.2017 Accounting Period Conclusion Of Affiliation Report

This Report is prepared and issued in reliance upon paragraph (1) of Article 199 of the Turkish Commercial Code No. 6102, to the extent of knowledge of the Board of Directors of our Company, with respect to the relations of our Company with its Controlling Company and with other affiliates of its Controlling Company in the 2017 fiscal year. Therefore it is undersigned and hereby declared that each legal transaction mentioned in the Report is balanced with an appropriate counter performance, and that our Company has not incurred any damages or losses due to any measure taken or avoided.

# Corporate Governance Principles Compliance Report

## Statement of Compliance with Corporate Governance Principles

Türk Telekomünikasyon A.Ş. (“Türk Telekom”) pays utmost attention for implementing the Corporate Governance Principles published by the Capital Markets Board of Turkey (“CMB”). The Company updates its annual and interim activity reports and corporate website, and makes them available to its shareholders to meet the said principles. Shareholders have access to comprehensive information through the Türk Telekom investor relations website constantly kept up-to-date, as well as the possibility to direct their queries to the Investor Relations Department.

Türk Telekom received an overall Corporate Governance rating of 9.18 as a result of an independent assessment by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA A.Ş.) authorized by Capital Markets Board of Turkey to rate under Corporate Governance Principles of CMB.

Corporate Governance Rating was determined as a result of the examination made under four major categories (Shareholders, Public Disclosure and Transparency, Stakeholders, Board of Directors) weighted differently within the framework of the CMB’s Corporate Governance principles. Breakdown of our corporate governance rating under major categories is as follows:

Sub Categories	Weight (%)	Rating
Shareholder	25	86.92
Public Disclosure & Transparency	25	97.66
Stakeholders	15	95.64
Board of Directors	35	89.32
<b>Total</b>	<b>100</b>	<b>91.75</b>

This rating of 9.18 assigned to Türk Telekom based on the Corporate Governance Principles is a clear sign that our Company is compliant with CMB Corporate Governance Principles to a large extent and has put the necessary policies and precautions into effect. Our Company’s efforts for fully complying with the Corporate Governance Principles will continue.

## Reasons for non-complied Corporate Governance Principles

Pursuant to the Communiqué No:II-17.1 and dated January 3, 2014 of the Capital Markets Board on the Corporate

Governance, and other regulations, non-complied issues with their grounds are as below, the principles that are not being complied have not resulted in any conflicts of interest among stakeholders to date.

## There are no additional provisions in the Articles of Association, to appoint a special auditor and on the other minority rights.

It is considered that the Turkish Commercial Code and the Capital Markets Board regulations are sufficient concerning the appointment of a special auditor and the minority rights. Pursuant to the Turkish Commercial Code numbered 6102, which came into force on July 1, 2012, the shareholders’ right to request a special audit is protected.

## Presence of voting privileges

The privileges attached to the Golden Share held by the Republic of Turkey Undersecretariat of Treasury are statutory (4673 numbered law), and our company is not authorized to amend these privileges.

## No articles in the Articles of Association regarding the procedures for invitation of the members of the board for a meeting by shareholders and stakeholders

Pursuant to the New Turkish Commercial Code 6102 which became effective in July 1, 2012, each board member may submit a written request to the chairman of the board to invite members of board of directors for a meeting.

There is no other way of invitation of the board members for a meeting.

## Mechanisms and models to encourage participation of the stakeholders in the management of the company are not regulated by the Articles of Association

Models for the Company employees’ participation in the management have not been included in the Articles of Association however such models have been developed and put into practice within the scope of the internal directives of the company. Models are developed for the Company employees’ participation in the management such as Occupational Health and Safety and Disciplinary Boards, Inventor Idea System.

## Resolution of disputes between stakeholders

Dispute resolution between stakeholders (regulatory authorities and public authorities) is an ongoing process.

## Shareholders

### Investor Relations Unit

At Türk Telekom, an Investor Relations Department (“the Department”) was formed which reports directly to the CEO with respect to management of relationships with existing and potential shareholders, effectively responding to the queries by investors and analysts, and carrying out the activities targeted at increasing the Company’s share value. Execution of the responsibility arising from capital markets legislation and coordination of corporate governance practices is supervised by the Investor Relations Director Sabriye Gözde Çullas who holds Capital Market Activities Advanced Level and Corporate Governance Rating licenses and is also responsible from the management of investor relations activities.

*Primary activities handled by the Department are as follows:*

- Including all kinds of cases related to Corporate Governance and Public Disclosure, performing the requirements of the Capital Market Regulations, and handling necessary internal and external disclosures and monitoring related processes
- Introducing and presenting the Türk Telekom Group to domestic and foreign individual and corporate investors,
- Keeping existing and potential investors regularly informed on the Company’s activities, financial standing and strategies in a timely, accurate and complete manner,
- To ensure keeping of reings related to correspondences between investors and the Company and other information and documents healthy, reliable and up-to-date
- Responding written information requests of shareholders related to the Company
- Regarding the General Assembly Meeting, preparing documents required for submission for shareholders’ review and taking precautions to ensure organization of General Assembly Meeting in accordance with related regulation, articles of association and other regulations within the corporation
- Responding to the information requests by analysts researching about the Company; ensuring the best introduction of the Company and ensuring that reports for investors are prepared in an accurate and complete fashion,
- Sharing the interim and year-end statements, investor presentations, press releases and annual and interim activity reports regarding financial and operational results with investors and the press; updating the investor relations website regularly to ensure that shareholders have access to accurate and complete information,
- Keeping investors regularly informed on Türk Telekom and the Turkish Capital Markets by participating in conferences and investor meetings,
- Monitoring public disclosures made pursuant to the Company’s disclosure policy and applicable legislation.
- Stock related information sharing within the Company by monitoring the composition of domestic/foreign investors and significant changes in trade volume.

### Contact information for employees working in the Investor Relations Department is as follows:

Full Name	Title
Sabriye Gözde Çullas	Director
Özge Kelek	Manager
Eren Öner	Manager
Şule Gençtürk	Assistant Manager
Nergis Gündoğdu	Assistant Manager
Özge Altay	Assistant Associate
Phone Number:	+ 90 0212 309 96 30
E-mail address:	investorrelations@turktelekom.com.tr

Please contact Corporate Governance and Compliance Manager Eren Öner for questions related with dividends, General Assembly and transfer of shares.

The Department received over 1,000 information requests by phone and email during 2017, all of which were answered.

In 2017, the Investor Relations Department attended 20 equity and bond investor conferences at various locations, particularly in New York and London; the Department met with 272 investors at these events. Additionally, during the year, meetings were held with 42 equity and bond investors during roadshows at various locations across Europe, the USA, the UK and Asia. Türk Telekom Investor Relations expended great efforts to provide complete responses to all information requests received, and met with almost 400 equity and bond investors in total throughout 2017.

### Shareholders’ Exercise of their Right to Obtain Information

Within the frame of the Turkish Commercial Code No. 6102, queries other than those relating to trade secrets and undisclosed information, received from shareholders and analysts by the Investor Relations Department by

letter, phone, email and other means are answered in the fastest and most effective way possible upon contacting the relevant person with the highest authority on the related matter. Over 1000 information requests received by Türk Telekom in the relevant period were answered. Furthermore, current and retrospective information and developments relating to Türk Telekom that are of interest to shareholders are regularly communicated to the concerned parties by the investor relations website both in Turkish and English languages. They are also regularly communicated to those registered to our database via emails.

In addition to the foregoing, within the context of shareholders' exercise of their right to obtain information, data and information are provided on the investor relations website so as to ensure rapid and easy access to information about Türk Telekom. A large portion of this information is provided on the website both in Turkish and English languages. The website covering the related documents accessible at [www.ttinvestorrelations.com](http://www.ttinvestorrelations.com) is periodically updated.

Further details are presented under the heading "Corporate Investor Relations Website and its Content" below.

Company activities are periodically audited by independent auditors and statutory auditors appointed by the General Assembly upon proposal by the Board of Directors. Independent audit services for 2017 activities were provided by KPMG, which performs said services under the legal entity of Akis Bağımsız Denetim ve SMMM A.Ş.

There is no article related to the appointment of a special auditor in the Articles of Association. Shareholders did not request the appointment of a special auditor in 2017 and no special audit was conducted. Being a telecommunications company, activities of Our Company is subject to the audit and enquiry of Information and Communications Technologies Authority, Capital Markets Board of Turkey and Competition Authority. The results of enquiries and audits are disclosed to the public with in the context of disclosure of material events regulated by the Communiqué on the Principles Regarding The Public Disclosure Of Material Events.

Minority shareholders may request the appointment of a special auditor according to the 438<sup>th</sup> and 439<sup>th</sup> articles of the New Turkish Commercial Code 6102.

### General Assembly Meetings

Article 19 of the Articles of Association reads as follows: "The General Assembly shall be the main decision body of the Company possessing every kind of authority in relation to the business of the Company provided by law". Article 21 of the Articles of Association lists the "Material Decisions to be adopted by the General Assembly" as follows:

- a) the presentation of any petition for dissolution;
- b) any change to Articles of Association;
- c) any change to the corporate name of the Company;
- d) any change to the accounting reference date or accounting policies except as required by law;
- e) any change in the share capital or the creation, allotment or issue of any shares or of any other security or the grant of any option rights or rights to subscribe to the capital or to convert any instrument into such shares or securities other than bonus shares;
- f) any reduction of capital or variation of the rights attaching to any class of shares or any redemption, purchase or other acquisition by the Company of any shares or other securities of that company;
- g) any merger with or material acquisition of any other company;
- h) the cessation of any major Business operation;
- i) any material change to the nature of its Business;
- j) the payment or declaration by the Company of any dividend or distribution of any other kind relating to the shares other than in accordance with Article 30;
- k) decisions on any of the matters referred to in Article 12 (a) to (f) above to the extent such matters have not been approved in accordance with Article 12:
  - the entry into of any contract or commitment not provided for in the Budget under which the Group Company may incur costs (per transaction) of more than USD 50 million;
  - the acquisition of any assets or property (other than in the ordinary course of business) at a total cost (per transaction) of more than USD 50 million;
  - the sale or disposition of any fixed assets for a total price per transaction of more than USD 10 million;
  - the borrowing of amounts by a Group Company which when aggregated with all other borrowings of that Group Company would exceed USD 150 million except for the loans obtained from banks in the ordinary course of business;
  - the entry into of any agreement (other than any management agreement referred to in Article 12(g) below) between a Group Company and a Shareholder (other than the holder of the Group B Shares) or its Associates which (x) is not on arm's length terms or (y) involves the transfer of monies or goods and services of a value greater than USD 30 million;
  - the appointment of any representative to act for the Company at any general assembly meeting of any Group Company (other than the Company and AVEA);
  - the entry into of any management agreement between a Group Company on the one part and a Shareholder, or any Associated Companies of a Shareholder or any person that entered into a management agreement/management consultancy agreement with the holder of the Group A Shares or any of its Associated Companies in connection with the tender process for the block sale on the other part. However, this Article shall not prevent the Company from entering into employment or consultancy agreements with individuals

Arrangements regarding our company's General Assembly Meetings are in the Türk Telekomünikasyon A.Ş.'s Articles of Association which is public and can be found on the company's Investor Relations website. Beneficiaries who have right to join the general assembly meetings pursuant to article 18 are able to join the meeting via electronic general assembly meeting system in accordance with article 1527 of Turkish Commercial Code.

### 2017 General Assembly Meeting

On 21 June 2017, at Türk Telekomünikasyon A.Ş. Genel Müdürlük Kültür Merkezi, Turgut Özal Bulvarı, 06103 Aydınlıkevler, Ankara, Ordinary General Assembly convened without any press or stakeholder participation, where 96.00% of the Company shares were represented. During this meeting no questions were raised by shareholders attending via electric platform or individually. Minutes of the Meeting is accessible at the <http://www.ttinvestorrelations.com/corporate-governance/general-assembly-meeting.aspx>. No proposal for the agenda items were given by shareholders during the meeting.

Particulars related to the said Ordinary General Assembly Meeting dated 21 June 2017 were published on Turkish Trade Registry Gazette (TTRG) dated 30 June 2017. In addition, the relevant Regulatory Disclosures of Material Events made by our Company was also published on the Public Disclosure Platform as of meeting dates.

The rules governing the Company's General Assembly meetings are covered in Türk Telekomünikasyon A.Ş. Articles of Association which is publicly disclosed and posted on the investor relations website.

According to Article 31 thereof, General Assembly meetings are announced at least 21 days in advance of the meeting date, excluding the dates of announcement and meeting, in the Turkish Trade Registry Gazette (TTRG) and two national newspapers in accordance with Article 414 of the Turkish Commercial Code and so as to inform the shareholders in advance of the General Assembly meetings. Information on General Assembly meetings, their agendas, invitation letters and sample proxy forms are also posted on the investor relations website.

The Company's Class A shares held by Ojer Telekomünikasyon A.Ş. and Class C shares held by the Undersecretariat of Treasury are registered, whereas the remaining shares are bearer shares. Shareholders who wished to exercise their rights arising from shareholding, fulfilled the necessary procedures for participation in General Assembly meetings pursuant to applicable legislation and attended to the General Assembly Meeting.

The announcement and explanations, which our company is required to make as per corporate governance principles, Information Set and invitation to the General Assembly Meeting and Minutes of the Meeting are made available for uninterrupted access to our shareholders at [www.ttinvestorrelations.com](http://www.ttinvestorrelations.com).

Any transaction—that requires positive votes of majority of the independent board members in order to be resolved by Board of Directors and left to the discretion of General Assembly due to the negative votes of independent board members—did not occur.

In General Assembly Meeting, shareholders were informed about the donations including education, health, sports, culture, arts and humanitarian aid made by Our Company to the associations and charitable institutions which were worth of TL 17,750,145 for the year 2016. Total donations including education, health, sports, culture, arts and humanitarian aid made in 2017 amounts to TL 16,667,606,78. As per the donation policy total donations in a fiscal year cannot exceed TL 40 million.

Within the knowledge of our company, shareholders that hold management control, board members, insiders with administrative responsibilities and spouses and up to second degree relatives by blood or marriage did not make any transaction that will be able to cause a conflict of interest between the Company and its subsidiaries; on behalf of themselves or someone else, did not make any business transaction included in the operation of the Company and its subsidiaries; or did not involve in another company that engages with the same kind of business transaction with the role of unlimited partner. All the General Assembly resolutions were applied in 2017.

### Voting and Minority Rights

All Shares of Türk Telekom can be transferred except for one privileged (golden) share of Group C. For the purpose of protecting the national interest in issues of national security and the economy, the following actions and resolutions cannot be taken without the affirmative vote of the holder of the C Group Privileged Share at either a meeting of the board of directors or the General Assembly. Otherwise, such transactions shall be deemed invalid.

- Any proposed amendments to the Articles of Association;
- The transfer of any registered Shares in the Company which would result in a change in the management control of the Company;
- The registration of any transfer of registered shares in the Company's shareholders' ledger

Pursuant to the Articles of Association, the holder of the C Group Privileged Share appoints one member representing the Privileged Share. The C Group Privileged Share owner cannot participate in capital increases.

At the Ordinary General Assembly Meeting held on 21 June 2017, Fuat Oktay with real person board member title was appointed as the Board member representing the Class C golden share as per the Independent Board Resolution no: 37 on July 15, 2016.

The Company's Articles of Association contain the provision that minority rights are to be exercised by shareholders representing at least 5% of the paid-in capital. However, minority shareholders are not represented on the Board of Directors.

There is no reciprocal shareholding interests in the Company's share capital.

### **Dividend Rights**

The Articles of Association grant no privileges regarding participation in the Company's profit. Each share is entitled to equal profit share; however, holder of the Class C share does not receive any share from the profit. Türk Telekom dividends are paid within the legally prescribed periods of time by applicable legislation.

Our Company adopts a policy to distribute the maximum amount of distributable profit in accordance with Articles 28, 29 and 30 of our Company's Articles of Association. Dividend Distribution policy was approved by shareholders' in 2013 Ordinary General Assembly Meeting convened on May 27, 2014. On the other hand, Board of Directors considers the short term financial liabilities of group companies, and conditions of those contracts signed with creditors in determining the Company's dividend proposal. Due to the loss after tax recognized at 2016 consolidated financial statements, board proposal of not distributing dividend was accepted by General Assembly and no dividend share was distributed.

As stated in the Company's Articles of Association, the dates and the manner of distribution of the annual profit to the shareholders are decided by the General Assembly upon proposal by the Board of Directors, in accordance with the provisions of the Capital Market Law and applicable legislation.

Dividend Distribution Policy is stated above and disclosed to the public via investor relations website ([www.ttinvestorrelations.com](http://www.ttinvestorrelations.com)).

Company did not buy back its shares in 2017.

### **Transfer of Shares**

The provisions of the Company's Articles of Association restricting transfer of shares are as follows:

Subject to Article 6/A of the Company's Articles of Association, all shares of Türk Telekom can be transferred except the C Group Privileged Share. For the purpose of

protecting the national interest in issues of national security and the economy, the following actions and resolutions cannot be taken without the affirmative vote of the holder of the C Group Privileged Share at either a meeting of the Board of Directors or the General Assembly. Otherwise, such transactions shall be deemed invalid:

- a) Any proposed amendments to the Articles of Association;
- b) The transfer of any registered shares in the Company which would result in a change in the management control of the Company;
- c) The registration of any transfer of registered shares in the Company's shareholders' ledger.

The transfer of shares are restricted until the expiration of the Strategic Commitment Period of November 14, 2008 by Article 6.A.2 of the Articles of Association which is as follows: "At any time after the later of the expiry of the Strategic Commitment Period and the date on which the holder of the Group A Shares has paid in full for all of its Shares in the Company, the holder of the Group A Shares may transfer some or all of its Shares to a third party, subject always to the veto rights of the holder of the C Group Privileged Share." After the end of the abovementioned restriction period, the transfer of the Company's Group A shares may always be the subject of the veto rights of the holder of the C Group Privileged Share. The Strategic Commitment Period ended on November 14, 2008 and the holder of Group A shares paid the amount in full for all of its shares in the Company. Therefore, the Company's Group A shares may be transferred by the approval of the holder of the C Group Privileged Share.

The Group A Shareholder may pledge, mortgage or charge such of its shares as shall from time to time not be subject to the Share Pledge to a financial institution for the purpose of security for borrowings incurred in respect of the purchase of such shares or otherwise. If that financial institution forecloses such pledge, mortgage or charge then it may only transfer the Group A Shares subject to the pledge, mortgage or charge if it obtains the prior written consent of the Treasury (such consent not to be unreasonably withheld).

According to Article 6.A.3 of the Company's Articles of Association, restriction of the transfer of the shares of Group B shareholders are limited to strategic commitment period and there shall be no restrictions on the transfer of shares in Group B after the end of the strategic commitment period which is November 14, 2008.

Furthermore, according to the supplemental Article 17 of the Telegram and Telephone Law numbered 406 and the paragraph 4 of the Company's Articles of Association, C Group Privileged Share shall not be sold.

### **Public Disclosure and Transparency**

#### **Company Disclosure Policy**

Türk Telekom Disclosure Policy has been formulated in line with the CMB's Communiqué on Principles Governing Disclosure of Material Events No: II-15.1 and CMB's Corporate Governance Principles. The policy

has been approved and put into effect by the Board of Directors and were submitted to the shareholders' information in General Assembly Meeting convened on May 27, 2014. The disclosure policy is posted on the investor relations website ([www.ttinvestorrelations.com](http://www.ttinvestorrelations.com)) under the "Corporate Governance" heading. The Investor Relations Department is responsible for the monitoring and development of the said policies, and the names and duties of the relevant responsibility owners are listed under the heading Investor Relations Unit. These individuals cooperate closely with the Board of Directors and Corporate Governance Committee in the fulfillment of these responsibilities.

## Assessment of Company Guidance

On July 2017, the Company revised the guidance, which it announced February 2017. Guidance that was revised on July 2017 is below.

"Under normal circumstances, we expect:

- Consolidated revenue (excluding construction revenue adjustment) to grow 10-11% over 2016,
- Consolidated EBITDA to be between TL 6.3 billion and TL 6.4 billion,
- Consolidated CAPEX to be around TL 3.3 billion."

In 2017, Türk Telekom posted record-breaking growth in year-end revenue and EBITDA, exceeding the aforementioned guidance for both financial metrics. In other words, consolidated revenue (excluding IFRIC 12) increased 11.1% and consolidated EBITDA rose to TL 6.45 billion. During the same period, the Group's consolidated capital expenditures amounted to TL 3.2 billion, in line with guidance.

## Guidance for 2018 Regarding Consolidated Financial Results

Under normal circumstances, guidance for 2018 is as follows:

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

## Investor Relations Website and Its Content:

Investor Relations website which is accessible at [www.ttinvestorrelations.com](http://www.ttinvestorrelations.com), is actively used in achieving transparency and public disclosure in parallel with the Capital Market legislation, CMB and BIST rules and regulations, and CMB's Corporate Governance Principles. A large portion of the information on the website is provided both in Turkish and English. The main headings covered on the website are listed below:

- Detailed information about the corporate identity,
- Detailed information about vision, mission and values,
- Company organization chart and shareholding structure,
- Information about the Members of the Board of Directors and Senior Management of the Company,
- Articles of Association,
- Trade registry information,
- Financial statements and activity reports,
- Material disclosure,
- Earning press releases,
- Investor presentations,
- Stock performance information,
- Credit ratings,
- Bond information,
- Contact information of analysts covering the Company,
- General Assembly agenda, invitation, Information document, proxy sample, list of attendants,
- Corporate governance practices and compliance report,
- Dividend distribution policy, history and capital increases,
- Independent auditor,
- Insiders with administrative responsibilities,
- Internal Audit and Risk Management,
- Disclosure Policy,
- Telecom glossary,
- Demand circular related to the public offering and prospectus,
- Türk Telekom Call Center and contact information,
- Investor Relations contact information,
- Information related to the social responsibility projects of Türk Telekom.

## Trade Registry Information

Date of Registration	June 30, 1994
Date of publishing the corporation in Turkish Trade Registry Gazette	July 1, 1994
Registration Number	103633
Trade Registry Office	Ankara Trade Registry Office
Central Registration System Number	1000000338725973

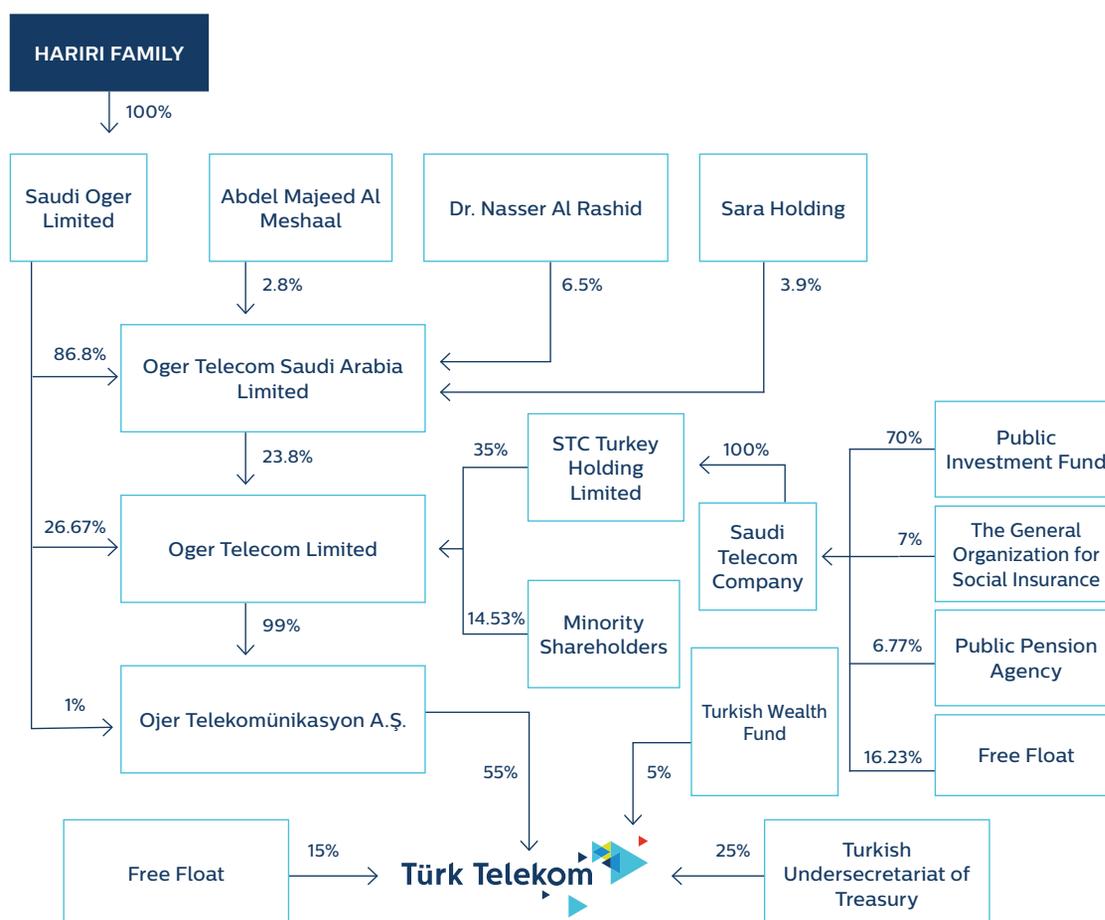
## Disclosure of Ultimate Controlling Individuals

Not subject to the authorized capital system, the Company has a share capital of TL 3,500,000,000 which is fully paid-in. The distribution of the paid-in capital among the shareholders is shown below:

Group	Shareholder	(TL) Capital Amount	(%) Share*
A	Ojer Telekomünikasyon A.Ş.	1,925,000,000.00	55
B	TR Undersecretariat of Treasury	875,011,884,975	25
C	TR Undersecretariat of Treasury	0.01	
D	Turkish Wealth Fund	174,988,115,015	5
E	Free Float	525,000,00.00	15
<b>Total</b>		<b>3,500,000,000.00</b>	<b>100</b>

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

Natural and legal persons owning share from our Company's capital are stated below:



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

## Activity Report

The content of the annual activity report are prepared in accordance with New Turkish Commercial Code and Capital Market Board regulations. There were no conflicts of interest arising between Türk Telekom and the related organizations which offer investment advice, investment analysis, and rating activity. Chief Executive Officer is not the Chairman of the Board of Directors.

No administrative sanction or penalty has been imposed on Board of Directors members. As there is no reciprocal shareholding interests in the Company's share capital, no information regarding this issue is placed in activity report.

## Stakeholders

### Informing the Stakeholders

Türk Telekom shareholders and investors are kept informed in line with the public disclosure principles.

The Company's Sales and Customer Care Department efficiently handle Türk Telekom customers' information requests about services and products, their comments or complaints, and provide solutions for customer problems.

Intercompany disclosures are carried out by Human Resources - Internal Communication Department to the employees.

### Stakeholder Participation in Management

As a result of the efforts to enable stakeholders to participate in the management, models for the company employees participation in the management was developed in also 2017 such as Occupational Health and Safety Boards, Disciplinary Boards, and Inventor Idea System. Furthermore, a contact form was created on the Investor Relations website for the stakeholders to inform the Corporate Governance Committee about the Company's transactions that are in breach of the legislation and that are ethically inappropriate.

### Human Resources

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

Recruitment and career planning are made in line with the principle of providing equal opportunities to employees within the context of human resources policy. Recruitment principles are defined according to

objective criteria as part of body of rules for recruitment. It is aimed to generate long term employment within the possibilities of technological developments, fiscal and economic conditions, sectoral variations, convergence of goods and services, organizational and changes in order to provide fast, high quality and economical services. Continuous improvement of the Company depends on the capability and flexibility of employees to adapt to changing conditions of the sector quickly and efficiently. In this regard, candidates that meet job requirements are sourced locally and internationally. Recruitment processes are determined in accordance with applicable laws and regulations. Employee relations are currently managed by Human Resources Partners.

### Working Culture

Türk Telekom makes it a goal to establish an ongoing relationship with its employees and stakeholders built on respect, trust and ethical values, adhering to the corporate culture built and maintained on the basis of respect and sharing, as well as its principles which include 'Customer Focused, Innovative, People oriented, Trustworthy and Agile Approach'. There was no complaint regarding discrimination from our employees in 2017.

Our working culture is characterized by providing high quality products and services and maintaining high levels of satisfaction in supplier-company-customer channel, and increasing productivity. The objectives, which are specific, measurable, attainable, relevant and time bound, are assessed with the actual performance results. Alternative, Customer-Focused Approaches are developed in order to follow -up, evaluate and resolve customer complaints.

The communications channels of the Company such as Intranet, internal video portal, e-mail, screens, instant notification and corporate journal create corporate awareness, enable employees to access to all business resources, contributes to employees' career development and creates a synergy through events and social activities. Definitions and distribution of tasks and performance and award mechanisms are disclosed by Performance Management Team.

## **Environmental and Occupational Health and Safety**

Türk Telekom is obliged to implement the measures set forth in the Occupational Health and Safety Law and the Environment Law, as well as in all applicable regulations issued pursuant to these laws, and fulfills these requirements in all workplaces. Türk Telekom implements a proactive and efficient environmental and occupational health and safety management system. The Company further improves these systems to prevent workplace accidents and to raise employee awareness about environmental culture and occupational health and safety.

Türk Telekom conducts and documents risk and environmental impact assessments in order to identify potential hazards and associated risks that may arise from its operations, products and services and to evaluate the level of environmental impact; develops methods and procedures for hazard control in a systematic fashion in order to prevent workplace accidents and illnesses and also to minimize environmental impact. The Company aims to identify the risk of occupational accidents and illnesses, so that they can be prevented through the implementation of proper measures.

The Company has established “Occupational Health and Safety Committees” to identify potential risks and take necessary measures at its workplaces for ensuring employees’ health and safety. Employee representatives also join these committees and evaluate all types of feedback about occupational health and safety measures.

## **Performance Management and Continuous Improvement**

The purpose of the Performance Management process is to ensure that employees contribute to achieving the Company’s goals that are aligned with the corporate vision and to assess their contributions in an objective and systematic manner while creating a motivating work environment and supporting personal development. Each year, Company objectives are deployed down to department and individual levels so that employees can understand how their individual efforts contribute to the bigger picture.

The goal deployment meetings, which are held every year after the preparation of Senior Management Scorecards, aim to ensure the management is aligned to disseminate the performance culture in the organization, set the goals in a seamless manner and conduct proper evaluations. It is very important for managers to communicate the information and the strategies shared at these meetings to their teams.

After goal setting, the management team evaluates to what extent the goals have been achieved. Managers provide performance feedback to their teams to make them aware of their performance, support their

development, and help them unleash their full potential. The outcomes of the Performance Management Process provide input for various HR processes such as compensation and rewards, career and talent management, training and development activities.

Guidelines, announcements and visual materials relating to the performance management process and system are shared with relevant people during the performance periods.

Türk Telekom provides opportunities for the personal and professional development of its employees to create a performance management concept focused on constant development where employees will be able to realize their full potential. Türk Telekom also aims to support corporate goals by enhancing the loyalty of its “human resources”, its most valuable asset, to the Company. All employees are able to attend the trainings provided by Türk Telekom Academy.

The Company developed advanced information security policies and activities and was awarded with ISO 27001 certificate, regarding the security of the private information of its customers. Only authorized employees have access to the personal data on need-to-know basis. Access logs are audited internally to determine any suspicious or irrelevant uses. Türk Telekom provides its employees with data security training.

## **Remuneration**

In order to realize current and future goals, Türk Telekom aims to attract qualified employees, retain employees, keep motivation high to make services sustainable and reward outstanding performers. Remuneration is determined by the relevant legislation, the job description, required responsibilities, qualifications and the market value.

## **Code of Business Ethics**

Türk Telekom Code of Business Ethics is the set of basic behaviors and rules; particularly the Members of the Board of Directors and the Audit Board, and all employees must abide by.

The Code of Business Ethics; is the key document that serves as a guidance for and primarily be adopted by Türk Telekom employees as a principle, was approved by our Board of Directors and was publicly announced via our company’s investor relations website. The document was issued in line with the vision, mission and values of Türk Telekom, in order to determine how all employees and the Members of the Board of Directors and the Audit Board, and the Company executives, in particular, should behave both within the working environment and outside the working environment.

Our managers are responsible for adopting and developing ethics culture in our company. Our company provides code of ethics training to its employees.

## Social Responsibility

Türk Telekom Group provides information technologies - the main driving force behind sustainable economic growth and social development- throughout Turkey.

In addition to the products and services it develops, Türk Telekom sees it as a corporate responsibility to help all those who cannot participate in social life due to economic, social, regional or physical reasons, access information. Thus, Türk Telekom carries out activities in line with the principle of "accessible communication for all".

Türk Telekom supports the United Nations Sustainable Development Goals with its business practices and Corporate Social Responsibility projects.

Company projects such as "İnternetle Hayat Kolay - Life is Simple with the Internet", Telephone Library, Sunlight, Loud Steps, Türk Telekom Schools and Türk Telekom Amateur Sports Clubs are carried out under the roof of "Türkiye'ye Değer - Value to Turkey" project.

## Board of Directors

### Structure and Formation of the Board of Directors

Our Board of Directors was elected at the Extraordinary General Assembly Meeting which was held on 8 July 2015, for a term of 3 years. Structure of the Board of Directors as of the report date is below:

Biographies of the members of Türk Telekom's Board of Directors are placed in the Board of Directors Section of the annual report and Investor Relations website. Pursuant to the 10<sup>th</sup> article of the Articles of Association, the members of the Board of Directors shall hold office for a term of 3 years. There is no distribution of tasks between the members of Board of Directors. General Assembly elected Independent members of Board of Directors during its Extraordinary General Assembly Meeting which was held on 8 July 2015. Corporate Governance Committee performed the functions of Nomination Committee in line with CMB principles. Four independent members of Board of Directors were nominated to the Corporate Governance Committee by B Group Shareholder. A report regarding nominees' independence situation was prepared and submitted to the Board of Directors by Corporate Governance Committee on June 19, 2015. After CMB provided consent for the nominees, the nominees of independent members of board of directors were submitted to the General Assembly's approval and elected as well.

At the Ordinary General Assembly Meeting, which was held on June 21, 2017, the election of Mr. Fuat Oktay as Independent Board Member (as a natural person) was approved.

Statements of Independence that each Independent Board Member signed presented under the appendix of this report. There were no circumstances that jeopardize independence of board of directors in the activity period. No company rules have been internally established yet regarding the positions of the Board of Directors held outside the company.

Name - Surname Duties at Türk Telekomünikasyon A.Ş. over the last 5 years	Duties Outside of Türk Telekomünikasyon A.Ş.	
<b>Mohammed Hariri</b> -Chairman of the Board of the Directors, -Chairman of the Executive Committee, -Member of the Corporate Governance Committee	Chairmanship of the Board	- Al Mal Investment Holding, - Avea İletişim Hizmetleri A.Ş., - Group Med International Holding Limited, - Bank Med sal (and its subsidiaries), - Oger Telecom Ltd., - TTNET A.Ş.
	Board Membership	- 3C Telecommunications (PTY) Limited, - Lanun Securities S.A.
<b>Fuat Oktay</b> - Vice Chairman of the Board of the Directors	Board Membership	- THY Teknik A.Ş.
	Other	- Undersecretary Prime Ministry of Turkish Republic
<b>Abdullah Tivnikli</b> -Member of the Board of the Directors, -Member of the Executive Committee	Chairmanship of the Board	- 4Tek İletişim A.Ş., - A G Gayrimenkul Yatırım Sanayi ve Ticaret A.Ş., - Altınapa Değirmencilik Ticaret ve Sanayi A.Ş., - Çeşme Enerji A.Ş., - Eksim Elektrik Enerjisi İthalat İhracat ve Toptan Satış A.Ş., - Eksim Yatırım Holding A.Ş., - Eksun Gıda Tarım Sanayiye Ticaret A.Ş., - Hasanbeyli Enerji A.Ş., - İklim Elektrik Yatırım Sanayiye Ticaret A.Ş., - İltek Enerji Yatırım Sanayiye Ticaret A.Ş., - İncesu Gayrimenkul Yatırım Sanayiye Ticaret A.Ş., - Karadeniz Elektrik Üretim Sanayi A.Ş., - Kök Elektrik Enerjisi İthalat İhracat ve Toptan Satış A.Ş., - Merzifon Enerji A.Ş., - Seferihisar Enerji A.Ş., - Silivri Enerji A.Ş., - Sinangil Gıda Pazarlama Sanayiye Ticaret A.Ş., - Susurluk Enerji A.Ş., - Tam Enerji Yatırım Sanayiye Ticaret A.Ş., - Tokat Enerji A.Ş.
	Vice Chairmanship of the Board	- Argela Yazılım ve Bilişim Teknolojileri A.Ş., - Innova Bilişim Çözümleri A.Ş., - Sebit Eğitim ve Bilgi Teknolojileri A.Ş.
	Board Membership	- Akabe Gayrimenkul Yatırım Sanayiye Ticaret A.Ş., - Assist Rehberlik ve Müşteri Hizmetleri A.Ş., - Avea İletişim Hizmetleri A.Ş., - Batı Hattı Doğalgaz Tic. A.Ş., - Kat Turizm Gayrimenkul Yatırımları ve İşletmeTicaret A.Ş., - Ottoman Gayrimenkul Yatırımları İnşaat ve Ticaret A.Ş., - Tasfiye Halinde Akabe İnşaat Sanayiye Ticaret A.Ş., - Tekirdağ Enerji Sanayiye Ticaret A.Ş., - TTNET A.Ş.
<b>Cenk Serdar</b> -Member of the Board of the Directors, -Member of the Corporate Governance Committee, -Member of the Early Identification of Risks Committee	Chairmanship of the Board	- Contact Centers Company (CCC)
	Board Membership	- Avea İletişim Hizmetleri A.Ş., - Contact Centers Company (CCC), - STC Channels Ltd.
	Other	- Contact Centers Company (CCC), Audit Committee Chairman, - STC Channels, Executive Committee Member, - STC Channels, Remuneration (Compensation) Committee Member, - Saudi Telecom Company, Consumer Senior Vice-President
<b>Fahri Kasırga</b> -Member of the Board of the Directors	Board Membership	- Council of Higher Education (YOK)
	Other	- General Secretary of Presidency of Turkish Republic
<b>Al-Hakam Marwan Moh'd Kanafani</b> -Member of the Board of the Directors  Former: -Türk Telekom Group CEO	Chairmanship of the Board	- Arab Advisors Group
	Board Membership	- 11818 Rehberlik ve Müşteri Hizmetleri A.Ş., - Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret A.Ş., - Cell C (Pty), - Innova Bilişim Çözümleri A.Ş., - Oger Telecom Ltd., - Sebit Eğitim ve Bilgi Teknolojileri A.Ş., - Türk Telekom International AT AG
<b>İbrahim Eren</b> -Member of the Board of the Directors, -Chairman of the Audit Committee, -Chairman of the Corporate Governance Committee	Chairmanship of the Board	- Turkish Radio and Television Corporation (TRT), - Television Audience Measurement (TIAK)
	Board Membership	- International Academy of Television Arts & Science (Emmy Awards), Director on the Board
	Other	- Turkish Radio and Television Corporation (TRT), General Manager

## Corporate Governance Principles Compliance Report

<b>Mazen Abou Chakra</b> - Member of the Board of the Directors, - Observer Member of the Audit Committee, - Member of the Early Identification of Risks Committee	Board Membership	- 3C Telecommunications Pty Ltd., - Oger Telecom Ltd.
<b>Nasser Sulaiman A Al Nasser</b> - Member of the Board of the Directors, - Member of the Executive Committee, - Observer Member of the Audit Committee	Chairmanship of the Board	- STC Solutions
	Board Membership	- Avea İletişim Hizmetleri A.Ş.
	Other	- Saudi Telecom Company, Assistant General Manager of Operations
<b>Rami Aslan</b> - Member of the Board of the Directors, - Member of the Executive Committee  <i>Former:</i> - Observer Member of the Audit Committee, - Türk Telekom General Manager/CEO	Board Membership	- Avea İletişim Hizmetleri A.Ş., - Oger Telecom Ltd., - TTNET A.Ş.
	Other	- Oger Telecom Ltd., CEO
<b>Suat Hayri Aka</b> - Member of the Board of Directors		- Undersecretary of Ministry of Transport, Maritime Affairs and Communications of Turkish Republic
<b>Yiğit Bulut</b> - Member of the Board of the Directors, - Member of the Audit Committee, - Chairman of the Early Identification of Risks Committee	Board Membership	- Turkish Wealth Fund Management Co.
	Other	- Key Advisor of Presidency of Turkish Republic

### Principles of Activity of the Board of Directors

Pursuant to the Articles of Association, the Board of Directors shall meet at least four times a year or shall meet whenever the Company's business so requires. The activities of the Board of Directors are run by Board Secretariat. At least 10 business days before the meeting, a notice of the time of meeting and the agenda which is accompanied by any relevant papers are sent to the Board of Directors. Meeting notices are sent to the members of the Board of Directors via e-mail. The agenda of the meeting is set via e-mails according to the proposals of members of the Board of Directors, CEO, VPs and Executive members of departments. Agenda is finalized by receiving the consent of the Chairman of the Board. In 2017, the Company's Board of Directors convened on April 25 and December 15 to evaluate strategic matters about the Company. The overall attendance rate of board meetings in 2017 was 98 percent. Pursuant to the 12<sup>th</sup> article of Articles of Association; questions arising at a meeting were passed by a simple majority of the votes of the Directors present at such meeting unless the resolution relates to a "Supermajority Decision Relating to the Board. Supermajority Decisions Relating to the Board were taken with the presence and affirmative vote of 7 Directors, at least one of which shall be a Director representing the Treasury. Questions arising at the meeting of Board of Directors and issues with multiple views are read into minutes with the appropriate grounds of negative votes in detail. The rights of member of Board of Directors representing C Group are explained in the section of Voting Rights and Minority Shares. No negative votes on these resolutions were read. There were no important transactions presented for approval of the independent

directors and all the related party transactions were approved by the majority of the independent directors. The damages to the Company resulting from the directors' faults were insured up to USD 125,000,000.

### Numbers, Structures and Independence of Committees within the Board of Directors

#### Audit Committee

Membership structure of the Audit Committee was changed with the Board Resolution dated 17 October 2012.

Independent board member İbrahim Eren is serving as chairman and independent board member Yiğit Bulut is serving member of the Audit Committee. Non-executive board members; Mazen Abou Chakra and Suleiman Nasser A Al Nasser are serving as observer members of the Audit Committee.

The Committee holds meeting once in three months. The Committee gathered 7 times in 2017 and reviewed and monitored Türk Telekom Group's processes of accounting, finance and auditing as well as their processes for monitoring compliance with law and regulations and their own code of business conduct, as well as such other matters which may be delegated specifically to the Committee by the Board from time to time. The Operating Principles of Audit Committee were revised and updated in 2018, and went into effect upon approval by the Board of Directors.

### **Corporate Governance Committee**

Corporate Governance Committee was established with the Board Resolution dated 17 October 2012.

Independent board member İbrahim Eren is serving as chairman of the Corporate Governance Committee. Non-executive board members Mohammed Hariri and Cenk Serdar and Investor Relations Director Sabriye Gözde Çullas are serving as the member of the Corporate Governance Committee.

The Committee shall provide implementation, improvement and adoption of corporate governance principles within the Company and shall convene as often as deemed necessary for the effectiveness of its studies. In 2017, the committee held four meetings and carried out its activities effectively.

Corporate Governance Committee undertakes the duties of Nomination and Remuneration Committees.

### **Early Identification and Management of Risks Committee**

Early Identification and Management of Risks Committee was established with the Board of Resolution dated 23 October 2013.

Independent board member Yiğit Bulut is serving as chairman of the Early Identification and Management of Risks Committee. Non-executive board members Mazen Abou Chakra and Cenk Serdar are serving as the members of the Early Identification and Management of Risks Committee.

Early Identification and Management of Risks Committee meets every two months and carries out its tasks effectively. In 2017, the committee held 6 meetings in total. The aim of establishing this committee is;

- To identify any potential risk that may jeopardize the existence, development and continuity of the Türk Telekom Group,
- To establish the Corporate Risk Management System for implementing necessary measures and actions with the aim of eliminating the identified risks, and to ensure the system's continuity and to improve it if necessary,
- To conduct activities related to the risk management and monitoring via risk management tools within the scope of a risk management system,
- To ensure that findings received from the Corporate Risk Management System are important components of decision making
- To present reports to the Board of Directors on these issues.

Independent board member İbrahim Eren serves as both the chairman of the Audit Committee and Corporate Governance Committee. Independent board member Yiğit Bulut serves as both the chairman of the Early Identification and Management of Risks Committee and the member of the Audit Committee.

### **Risk Management and Internal Control Mechanism**

Türk Telekom Group Corporate Risk Management mission is; "To make sure that the risks that may arise are managed in the best possible manner being aware of the changing internal and external dynamics, To adopt Corporate Risk Management as an inseparable part of the corporate culture and strategic decision taking processes", while the vision is; "To establish a Corporate Risk Management system in parallel to international best practices".

Türk Telekom Group Corporate Risk Management cycle has been created within the scope of the international best standards (ISO 31000). [Please see figure 1]

In Türk Telekom Group, Corporate Risk Management is a process established on "Continuous Communication and Consultation" which is the fundamental of the systematic taken as basis. For this reason this process is carried out with the participation of all business units.

Every year, all units identify the internal and external potential risks that may arise in parallel to the economic, sectoral and legal developments that may hinder the Group from achieving its strategic objectives.

The risks Türk Telekom is exposed to are classified as strategic, operational and financial. These risks are measured via qualitative and quantitative risk metrics and management tools which are continuously improved and updated to be in harmony with the dynamic global conditions and ICT sector.

In addition to these measurements, the root causes that underlie/trigger potential risks are also analyzed in detail. Actions plans, which are prepared according to the priorities set by the Senior Management, focus on the root cause that leads to the cause-and-effect relationship, and a domino effect is created to eliminate / reduce the identified risk at reasonable costs.

# Corporate Governance Principles Compliance Report

## Türk Telekom Group Corporate Risk Management Cycle

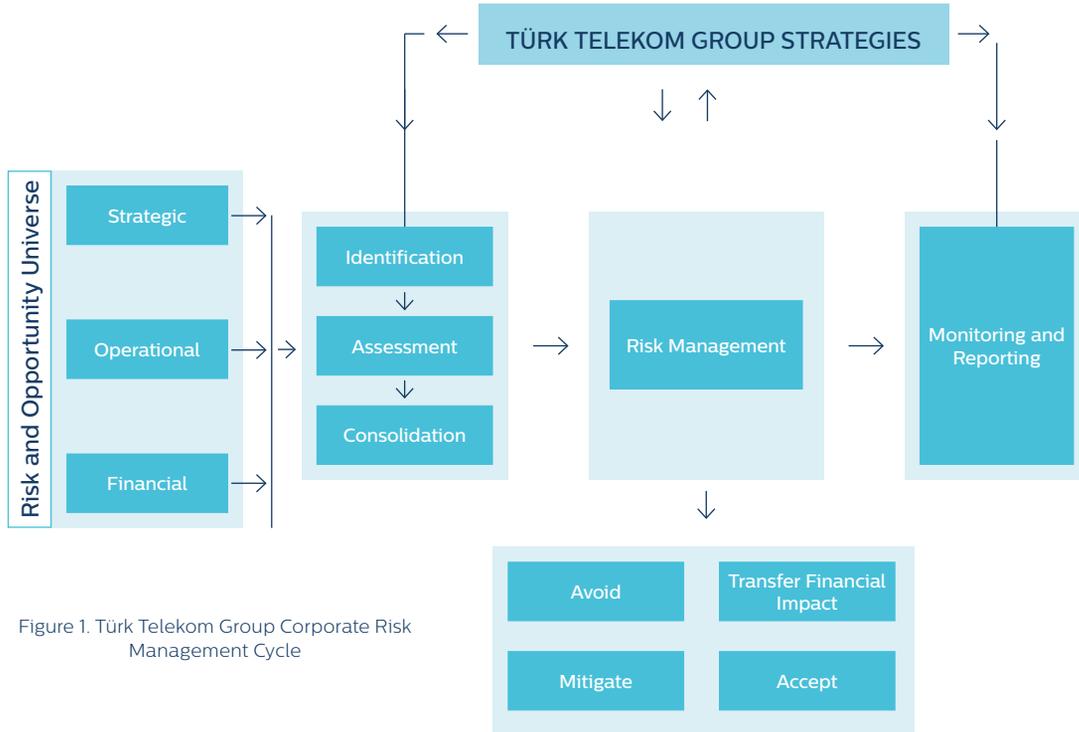


Figure 1. Türk Telekom Group Corporate Risk Management Cycle

## Türk Telekom Group Corporate Risk Management Corporate Governance Model

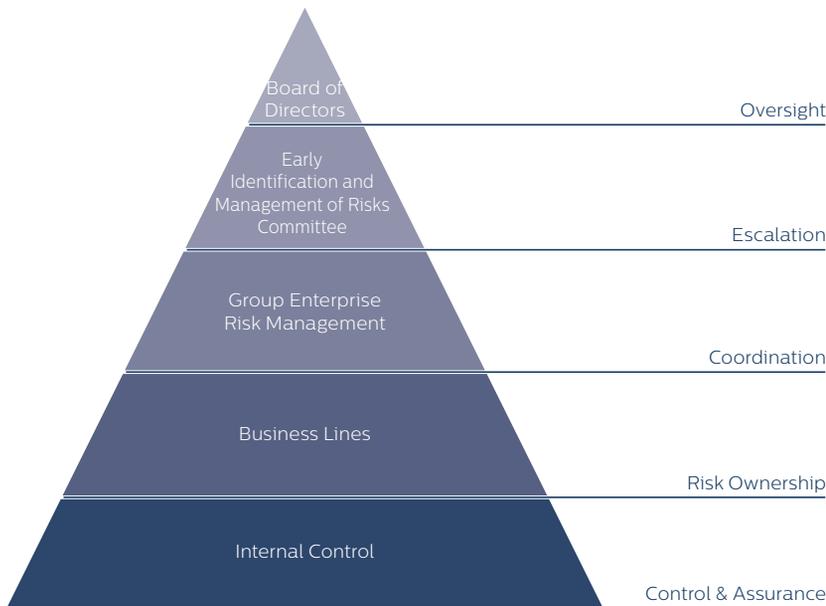


Figure 2. Türk Telekom Group Corporate Risk Management Corporate Governance Model

In this governance model;

**The Board of Directors** reviews and assesses the risks and opportunities that Türk Telekom is exposed to in compliance with the Group's strategies.

**Early Identification and Management of Risks Committee** takes into consideration the risks that Türk Telekom Group is or may be exposed to, and makes sure that the "Risk Management Process" is established, and continuously oversees the effectiveness of the system. The Committee presents significant risks and opportunities to the attention of the Board of Directors.

**Corporate Risk Management** is to determine and improve the minimum standards regarding the Corporate Risk Management System, coordinating the Corporate Risk Management processes carried out within the Group, monitoring the existing levels and development levels of the identified risks and reporting them to related Management units.

**Business Units** consider the risks under their responsibility and take necessary action.

**Internal Audit** provides assurance regarding controls and actions. Checks the functionality of the system, and reports any failures.

In the one to one work carried out with middle and top level executives of the company's business lines, the risks of the Group companies are also clearly identified in line with the risk management standards established for Türk Telekom. The evaluation process draws a detailed panorama of the risk universe that the Company is exposed to, taking into account the root causes that generate risks, the relationships between risks, sectoral factors and the macroeconomic dynamics of the country. Effective analysis of the root causes that generate the identified risks, constitutes the basis of the action planning, while a cost-effective and optimized management process is implemented with the actions that eliminate / reduce the root causes that generate risks.

### Strategic Targets of the Company

5-year Strategic Business Plan which include the strategic targets determined by observing the global and local sectoral developments, technological developments and identification of customer preferences and annual budget are subject to Board of Directors approval. Board monitors the performance of Türk Telekom reaching its strategic targets monthly.

### Prohibition on Doing Business and Competing with the Company

The Company has adopted practices that are aligned with Articles 395 and 396 of the Turkish Commercial Code and Corporate Governance Principles annexed to the Communiqué II-17.1 on Corporate Governance. At the General Assembly Meeting dated 21 June 2017, permission was given to the controlling shareholders, the Board of Directors Members, the senior executives, their spouses and their relatives by blood and marriage up to the second degree to make transactions which may cause conflict of interest for the Company or Company's subsidiaries and to compete in accordance with the Communiqué II-17.1 on Corporate Governance and the general assembly was informed about the transactions of this nature realized within the year.

### Remuneration of the Members of the Board of Directors and Senior Executives

Shareholders were informed about the "Remuneration Policy" determined for the Board of Directors Members and the Senior Executives in accordance with the Corporate Governance Principles at the Ordinary General Assembly Meeting dated 21 June 2017. Remuneration Policy was disclosed to the public and put on the investor relations website within the same day. Remuneration of the members of the Board of Directors is determined by the General Assembly in accordance with Article 408 of Turkish Commercial Code No. 6102 and Article 8 of the Company's Articles of Association. General Assembly approved and accepted that each member of the Board of Directors shall be paid net remuneration at an amount of TL 15.000 on monthly basis as well as the bonuses at the same amount of the monthly remunerations twice in a year, in January and in July. There is no performance measurement and performance-based rewarding system in place for the Board members. The Company has never lent money or extended loans to any Board member or executive, no credit has been given under the name personal loan through third persons, nor have any guarantees been provided such as surety ship in their favor.

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

(TL thousand)	1 January - 31 December 2016	1 January - 31 December 2017
Short-term benefits	178,799	127,307
Wages and wages like fees	169,854	117,712
Attendance fees	8,495	9,595
Long-term defined benefits	2,605	2,667
<b>Social Security Institution premiums</b>	<b>2,065</b>	<b>2,667</b>
	<b>181,404</b>	<b>129,974</b>

# Statement of Independence

## Statement of Independence

I have been nominated for the vacant independent board membership of Türk Telekomünikasyon A.Ş. ("The Company"). Pursuant to Corporate Governance Principles attached to the Communiqué No: II-17.1 on the Corporate Governance;

I declare that;

- A relationship of an executive position with important duties and responsibilities has not been established by me, my spouse or up to third degree relatives by blood or marriage within the last five years and I do not jointly or separately hold more than 5% of capital or voting right or privileged share or have significant commercial relationship, with Türk Telekomünikasyon A.Ş., associations that Türk Telekomünikasyon A.Ş. holds management control or has significant effect on, and shareholders that hold Türk Telekomünikasyon A.Ş.'s management control or have significant effect on Türk Telekomünikasyon A.Ş. and entities whose management control held by these shareholders,
- I have not worked in a management position undertaking important duty and responsibilities for firms, particularly audit,(including tax audit, legal audit and internal audit), rating and consultancy firms, firms that Türk Telekomünikasyon A.Ş. purchases or sells goods or services considerably, in the period that goods and services are purchased or sold, and also have not been appointed as board member to those firms within the last five years.
- I have necessary educational background, information and experience for fulfilling independent board member duties,
- Pursuant to Income Tax Law No.193 dated by 31.12.1960, I am a resident in Turkey
- I have the ethical standards, reputation and experience enabling them to contribute to activities of the Company, protect their impartiality with regard to conflict of interest that may arise among shareholders, make independent decisions by taking into account the rights of stakeholders,
- I have time to follow the requirements of the business activities of Türk Telekomünikasyon A.Ş. and to precisely perform the tasks I have undertaken,
- I do not serve as an independent board member in more than three of the Türk Telekomünikasyon A.Ş.'s or the companies whose management control held by shareholders that hold Türk Telekomünikasyon A.Ş.'s management control and also in total more than five of publicly traded companies.
- I am not registered and announced on behalf of the legal entity elected as Board Member



**Fuat Oktay**

## Statement of Independence

I have been nominated for the vacant independent board membership of Türk Telekomünikasyon A.Ş. ("The Company"). Pursuant to Corporate Governance Principles attached to the Communiqué No: II-17.1 on the Corporate Governance;

I declare that;

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- I have the ethical standards, reputation and experience enabling them to contribute to activities of the Company, protect their impartiality with regard to conflict of interest that may arise among shareholders, make independent decisions by taking into account the rights of stakeholders,
- I have time to follow the requirements of the business activities of Türk Telekomünikasyon A.Ş. and to precisely perform the tasks I have undertaken,
- I do not serve as an independent board member in more than three of the Türk Telekomünikasyon A.Ş.'s or the companies whose management control held by shareholders that hold Türk Telekomünikasyon A.Ş.'s management control and also in total more than five of publicly traded companies.
- I am not registered and announced on behalf of the legal entity elected as Board Member



**Fahri Kasırga**

## Statement of Independence

### Statement of Independence

I have been nominated for the vacant independent board membership of Türk Telekomünikasyon A.Ş. ("The Company"). Pursuant to Corporate Governance Principles attached to the Communiqué No: II-17.1 on the Corporate Governance;

I declare that;

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- I have not worked in a management position undertaking important duty and responsibilities for firms, particularly audit,(including tax audit, legal audit and internal audit), rating and consultancy firms, firms that Türk Telekomünikasyon A.Ş. purchases or sells goods or services considerably, in the period that goods and services are purchased or sold, and also have not been appointed as board member to those firms within the last five years.
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- I am not registered and announced on behalf of the legal entity elected as Board Member



**İbrahim Eren**

## Statement of Independence

I have been nominated for the vacant independent board membership of Türk Telekomünikasyon A.Ş. ("The Company"). Pursuant to Corporate Governance Principles attached to the Communiqué No: II-17.1 on the Corporate Governance;

I declare that;

- A relationship of an executive position with important duties and responsibilities has not been established by me, my spouse or up to third degree relatives by blood or marriage within the last five years and I do not jointly or separately hold more than 5% of capital or voting right or privileged share or have significant commercial relationship, with Türk Telekomünikasyon A.Ş., associations that Türk Telekomünikasyon A.Ş. holds management control or has significant effect on, and shareholders that hold Türk Telekomünikasyon A.Ş.'s management control or have significant effect on Türk Telekomünikasyon A.Ş. and entities whose management control held by these shareholders,
- I have not worked in a management position undertaking important duty and responsibilities for firms, particularly audit,(including tax audit, legal audit and internal audit), rating and consultancy firms, firms that Türk Telekomünikasyon A.Ş. purchases or sells goods or services considerably, in the period that goods and services are purchased or sold, and also have not been appointed as board member to those firms within the last five years.
- I have necessary educational background, information and experience for fulfilling independent board member duties,
- Pursuant to Income Tax Law No.193 dated by 31.12.1960, I am a resident in Turkey
- I have the ethical standards, reputation and experience enabling them to contribute to activities of the Company, protect their impartiality with regard to conflict of interest that may arise among shareholders, make independent decisions by taking into account the rights of stakeholders,
- I have time to follow the requirements of the business activities of Türk Telekomünikasyon A.Ş. and to precisely perform the tasks I have undertaken,
- I do not serve as an independent board member in more than three of the Türk Telekomünikasyon A.Ş.'s or the companies whose management control held by shareholders that hold Türk Telekomünikasyon A.Ş.'s management control and also in total more than five of publicly traded companies.
- I am not registered and announced on behalf of the legal entity elected as Board Member



**Yiğit Bulut**

# Statement of Responsibility

**FINANCIAL TABLES APPROVED BY THE BOARD OF DIRECTORS  
RESOLUTION NO: 3  
RESOLUTION DATED: 08.02.2018**

**STATEMENT OF RESPONSIBILITY AS PER ARTICLE 9 OF THE CAPITAL MARKETS BOARD COMMUNIQUÉ NO: II-14.1**

We hereby state that:

a) We have reviewed the Consolidated Financial Tables of our Company for the accounting period ending on 31 December 2016

b) According to information to which we have access as a part of our duties and responsibilities within the Company, the Consolidated Financial Tables do not contain any material inaccurate disclosures or any shortcomings which may prove to be misleading because of the date of disclosure.

c) According to information to which we have access as a part of our duties and responsibilities within the Company, the Consolidated Financial Tables, which have been prepared in accordance with the Capital Markets Board Communique No: II-14.1, faithfully reflect the assets, liabilities, financial standing and profits and losses of the Company.

Kind regards,



**Ibrahim Eren**  
Audit Committee Chairman



**Yigit Bulut**  
Audit Committee Member



**Dr. Paul (Boulos H.B.) Doany**  
General Manager-CEO



**Kaan Aktan**  
Finance Assistant General Manager

**ANNUAL REPORT APPROVED BY THE BOARD OF DIRECTORS  
RESOLUTION DATED: 28.02.2018  
RESOLUTION NO: 6**

**STATEMENT OF RESPONSIBILITY AS PER ARTICLE 9 OF THE CAPITAL MARKETS BOARD COMMUNIQUÉ NO: II-14.1**

We hereby state that:

- a) We have reviewed the Board of Directors Annual Report for 2017
- b) According to information to which we have access as a part of our duties and responsibilities within the Company, the Annual Report do not contain any material inaccurate disclosures or any shortcomings which may prove to be misleading because of the date of disclosure.
- c) According to information to which we have access as a part of our duties and responsibilities within the Company, the Annual Report faithfully reflects the development and performance of the business and the consolidated financial situation of the Company along with the risks and uncertainties that the Company is facing.



**Ibrahim Eren**  
Audit Committee Chairman



**Yigit Bulut**  
Audit Committee Member



**Dr. Paul (Boulos H.B.) Doany**  
General Manager-CEO



**Kaan Aktan**  
Finance Assistant General Manager

# Independent Auditor's Report Related to Annual Report



KPMG Yeminli Mali Müşavirlik A.Ş.  
İş Kuleleri Kule 3 Kat:2-9  
Levent 34330 İstanbul  
Tel +90 212 316 6100  
Fax +90 212 316 6161  
www.kpmg.com.tr

To the Board of Directors of Türk Telekomünikasyon Anonim Şirketi,

## Report on the Audit of Board of Directors' Annual Report Based on Standards on Auditing

### 1) Opinion

We have audited the accompanying annual report of Türk Telekomünikasyon Anonim Şirketi ("the Company") and its subsidiaries (collectively referred to as "the Group"), for the period 1 January 2017 to 31 December 2017.

In our opinion, the consolidated financial information included in the annual report and the analysis of the Board of Directors about the consolidated financial position of the Group are consistent, in all material respects, with the audited complete set of financial statements and information obtained during the audit and provides a fair presentation.

### 2) Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing which is a component of the Turkish Auditing Standards ("TAS") issued by the Public Oversight, Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Annual Report section of our report. We declare that we are independent of the Group in accordance with the Code of Ethics for Auditors issued by POA (POA's Code of Ethics) and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 3) Auditor's Opinion on Complete Set of Financial Statements

We have expressed an unmodified opinion on the complete set of financial statements of the Group for the period 1 January 2017 to 31 December 2017 on 8 February 2018.

### 4) Board of Directors' Responsibility for the Annual Report

In accordance with the Articles 514 and 516 of the Turkish Commercial Code Numbered. 6102 ("TCC") and Regulation on the Principles and Procedures Concerning the Preparation of and Publishing Annual Reports by the Group "Regulation" published in the Official Journal dated 1 November 2006 and No. 26333, the Group's management is responsible for the following regarding the annual report:

- The Group's management prepares its annual report within the first three months following the date of statement of financial position and submits it to the general meeting.
- The Group's management prepares its annual report in such a way that it presents accurately, completely, directly, true and fairly the flow of annual operations and financial position of the Group. In this report, the financial position of the Group is assessed in accordance with the Group's financial statements. The annual report shall also clearly state the details about the Group's development and risks that might be encountered. The assessment of the board of directors on these matters is included in the report.
- The annual report also includes:
  - Significant events after the reporting period,
  - The Group's research and development activities,
  - Employee benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, cash and cash facilities, insurance and similar guarantees.

When preparing the annual report, the board of directors also consider the related regulations issued by the Ministry of Customs and Trade and related institutions.

### 5) Auditor's Responsibility for the Audit of the Annual Report

Our objective is to express an opinion on whether the consolidated financial information included in the annual report and analysis of the Board of Directors in relation to the consolidated financial position of the Group are consistent with the audited financial statements of the Group and the information obtained during the audit and give a true and fair view and form a report that include this opinion in accordance with the TCC and the Regulation.

We conducted our audit in accordance with Standards on Auditing issued by POA. Those standards are required that compliance with ethical requirements and planning of audit to obtain reasonable assurance on whether the financial information included in the annual report and analysis of the Board of Directors for the financial position of the Group are consistent with the financial statements and the information obtained during the audit and provides a fair presentation.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of the KPMG International Cooperative



28 February 2018  
İstanbul, TÜRKİYE

**Türk Telekomünikasyon  
Anonim Şirketi and Its Subsidiaries  
31 December 2017**  
Consolidated Financial Statements  
And Independent Auditor's Report

8 February 2018

This report contains 5 pages of  
“Independent Auditor's Report” and 104 pages of  
financial statements and explanatory notes.



KPMG Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
İş Kuleleri Kule 3 Kat:2-9  
Levent 34330 İstanbul  
Tel +90 212 316 6000  
Fax +90 212 316 6060  
www.kpmg.com.tr

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Türk Telekomünikasyon Anonim Şirketi

### A) Audit of the Consolidated Financial Statements

#### *Opinion*

We have audited the consolidated financial statements of Türk Telekomünikasyon Anonim Şirketi and its subsidiaries (together will be referred to as “the Group”), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Accounting Standards (“TASs”).

#### *Basis for Opinion*

We conducted our audit in accordance with standards on auditing issued by the Capital Markets Board of Turkey (“CMB”) and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) (“Standards on Auditing issued by POA”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We declare that we are independent of the Group in accordance with the Code of Ethics for Auditors issued by POA (“POA’s Code of Ethics”) and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA’s Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### *Revenue recognition*

Refer to Note 2.4 and Note 2.5 to the consolidated financial statements for summary of significant accounting policies and significant accounting assessments, estimates and assumptions for revenue recognition.

### The key audit matter

The Group's revenue is primarily generated from fixed-line telecommunication services, mobile telecommunication services, sales of equipment and TV subscriptions.

The accuracy of revenue recognized in the consolidated financial statements is an inherent industry risk because the billing systems of telecommunications companies are complex and process large volumes of data with a combination of different products and services sold during the year, through a number of different systems.

Significant management judgment can be required in determining the appropriate measurement and timing of recognition of different elements of revenue within bundled sales packages, which may include services and telecommunication products such as equipment.

Revenue is one of the key performance indicators of the Group and involves management judgment which gives rise to an inherent risk that revenue may be recorded in the incorrect period or may be subject to manipulation to meet targets or expectations. The application of revenue recognition accounting standards is complex and involves a number of key judgments and estimates.

We identified revenue recognition as a key audit matter because there is an inherent industry risk regarding the accuracy of revenue recognized by the IT billing systems given the complexity of the systems and the significance of volumes of data processed by the systems.

### How the matter was addressed in our audit

We have performed the following audit procedures to be responsive to this area:

- Assessing the appropriateness of the revenue recognition policy of the Group;
- Assessing, with the assistance of our internal IT specialists, the design, implementation and operating effectiveness of management's:
  - key internal controls over the general IT environment in which the business systems operate, including access to program controls, program change controls, program development controls and computer operation controls; and
  - key internal IT controls over the completeness and accuracy of rating and bill generation and the end-to-end reconciliation controls from the rating and billing systems to the accounting system.
- Testing a sample of customer bills and checking these to supporting evidence and cash received;
- Testing material journals processed between the billing systems and the general ledger;
- Testing the end-to-end reconciliations from data records to the billing systems and to the general ledger; and
- Substantive testing on a sample of non-systematic adjustments which are outside of the normal billing process and therefore carry higher levels of management judgment.

### *Litigations, claims and contingent liabilities*

Refer to Note 2.4, Note 2.5 and Note 24 to the consolidated financial statements for summary of significant accounting policies and significant accounting assessments, estimates and assumptions for litigations, claims and contingent liabilities.

#### **The key audit matter**

The Group operates in a highly regulated industry. Major risks identified by the Group in that area relate to anti-monopoly proceedings, compliance with regulatory requirements or customer protection. We have determined this to be a key audit matter, because there is a high level of judgment required in estimating the level of provisioning required.

#### **How the matter was addressed in our audit**

We have performed the following audit procedures to be responsive to this area:

- Discussing with the legal department material legal cases to determine the Group's assessment of the likelihood and magnitude of any liability that may arise;
- Reading legal opinions and on-going cases from legal counsels of the Group;
- Assessing and challenging management's conclusions through understanding precedents set in similar cases;
- Where appropriate and relevant, examining correspondence connected with the cases; and
- Reviewing the level of provisions recorded and assessed the adequacy of disclosures in the consolidated financial statements.

### *Valuation of deferred tax assets*

Refer to Note 2.4, Note 2.5 and Note 11 to the consolidated financial statements for summary of significant accounting policies and significant accounting assessments, estimates and assumptions for valuation of deferred tax assets.

#### **The key audit matter**

The Group has recognized deferred tax assets for deductible temporary differences and unused tax losses that it believes are recoverable.

The recoverability of recognized deferred tax assets is dependent on the Group's ability to generate future taxable profits sufficient to utilize deductible temporary differences and tax losses (before latter expire).

We have determined this to be a key audit matter, due to the inherent uncertainty in forecasting the amount and timing of future taxable profits and the reversal of temporary differences. Significant judgment is required in relation to the recognition and recoverability of deferred tax assets.

#### **How the matter was addressed in our audit**

We have performed the following audit procedures to be responsive to this area:

- Assessing and challenging the assumptions and judgments exercised by management in respect of the forecasts of future taxable profits by analyzing the assumptions adopted by management;
- Considering the historical accuracy of forecasts of future taxable profits made by management by comparing the actual taxable profits for the current year with management's estimates in the forecasts made in the previous year and assessing whether there were any indicators of management bias in the selection of key assumptions;
- Considering the impact of recent regulatory developments, where applicable and relevant;
- Reconciling tax losses and expiry dates to tax statements; and
- Assessing whether the Group's disclosures in the consolidated financial statements of the application of judgment in estimating recognized and unrecognized deferred tax asset balances appropriately reflect the Group's deferred tax position with reference to the requirements of the TASS.

### *Impairment of goodwill and other non-current asset groups*

Refer to Note 2.4, Note 2.5, Note 16, Note 19 and Note 20 to the consolidated financial statements for summary of significant accounting policies and significant accounting assessments, estimates and assumptions for impairment of goodwill and other non-current asset groups.

#### **The key audit matter**

As at 31 December 2017, the Group's non-current assets principally comprised property, plant and equipment and intangible assets. The Group has recognized goodwill amounting to TL 44.944 thousand as at 31 December 2017 (31 December 2016: TL 44.944 thousand). Impairment on property, plant and equipment and intangible assets are amounted to TL 76.897 thousand (31 December 2016: TL 29.381 thousand) and TL 35.891 thousand (31 December 2016: TL 22.837 thousand), respectively as at 31 December 2017.

In performing impairment assessments, management compared the carrying value of each of the separately identifiable cash generating units ("CGUs") to which goodwill and other non-current asset groups had been allocated with their respective value in use based on discounted cash flow forecasts to determine if any impairment loss should be recognized.

The recoverable amount of CGUs, which is based on the higher of the value in use or fair value less costs to sell, has been derived from discounted cash flow models. These models use several key assumptions, including estimates of future sales volumes, and prices, operating costs, terminal value growth rates and the weighted-average cost of capital ("WACC").

We identified this issue as a key audit matter because the carrying values of these assets are material to the consolidated financial statements and also because of the significant judgment required in determining the assumptions to be used to estimate the recoverable amount.

### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Turkish Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

#### **How the matter was addressed in our audit**

Our audit procedures to assess potential impairment of goodwill and other non-current assets included the following:

- Involving our own valuation specialist to assist in evaluating the appropriateness of discount rates applied, which included comparing the WACC with sector averages for the relevant markets in which the CGU's operate;
- Evaluating the appropriateness of the assumptions applied to key inputs such as sales volumes and prices, operating costs, inflation and long-term growth rates, which included comparing these inputs with externally derived data as well as our own assessments based on our knowledge of the client and the industry;
- Performing our own sensitivity analysis which included assessing the effect of reasonably possible reductions in growth rates and forecast cash flows to evaluate the impact on the currently estimated headroom for the CGUs; and
- Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgments and sensitivities.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing issued by the CMB and Standards on Auditing issued by POA. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the standards on auditing issued by the CMB and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## B) Other Legal and Regulatory Requirements

- 1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Group on 8 February 2018.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2017, the Group's bookkeeping activities and consolidated financial statements are not in compliance with TCC and provisions of the Group's articles of association in relation to financial reporting.
- 3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member of KPMG International Cooperative



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

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries Consolidated Statement of Financial Position as at 31 December 2017

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

		Current period	Prior period
		Audited	Audited
	Notes	31 December 2017	31 December 2016
<b>Assets</b>			
<b>Current assets</b>			
		<b>10.566.394</b>	<b>9.186.483</b>
Cash and cash equivalents	4	4.100.204	3.016.366
Trade receivables			
- Due from related parties	8	23.707	26.193
- Trade receivables from third parties	6	4.792.834	4.118.551
Other receivables			
- Other receivables from third parties	9	57.894	52.933
Derivative financial instruments	15	557.712	601.401
Inventories	10	203.978	261.264
Prepaid expenses	13	343.332	324.367
Current tax related assets		33.884	184.985
Other current assets	12	415.488	563.062
		10.529.033	9.149.122
Assets held for sale	17	37.361	37.361
<b>Non-current assets</b>			
		<b>18.582.141</b>	<b>17.687.968</b>
Financial investments	14	11.840	11.840
Trade receivables			
- Trade receivables from third parties	6	91.197	42.095
Other receivables			
- Other receivables from third parties	9	33.837	33.885
Derivative financial instruments	15	59.006	51.397
Investment property	18	22.376	24.559
Property, plant and equipment	19	9.115.520	8.734.951
Intangible assets			
- Goodwill	16	44.944	44.944
- Other intangible assets	20	8.437.536	8.341.272
Prepaid expenses	13	68.935	58.725
Deferred tax assets	11	660.707	316.213
Other non-current assets	12	36.243	28.087
<b>Total assets</b>			
		<b>29.148.535</b>	<b>26.874.451</b>

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

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

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries Consolidated Statement of Financial Position as at 31 December 2017

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

		Current period	Prior period
		Audited	Audited
	Notes	31 December 2017	31 December 2016
<b>Liabilities</b>			
<b>Current liabilities</b>		<b>8.661.581</b>	<b>8.351.705</b>
Financial liabilities			
- Bank borrowings	5	66.714	72.574
Short term portion of long term financial liabilities			
- Bank borrowings	5	2.395.531	1.897.421
- Obligations under finance leases	7	617	603
- Bills, bonds and notes issued	5	23.800	17.235
Trade payables			
- Due to related parties	8	2.326	8.812
- Trade payables to third parties	6	4.066.558	4.522.389
Employee benefit obligations			
Other payables	12	175.712	203.233
- Other payables to third parties	9	844.592	739.920
Derivative financial instruments			
	15	192.052	233.560
Deferred revenue			
	13	226.864	160.829
Income tax payable			
	33	24.344	17.929
Short term provisions			
- Short term provisions for employee benefits	21	162.906	165.862
- Other short term provisions	21	433.238	264.200
Other current liabilities			
	12	46.327	47.138
<b>Non-current liabilities</b>		<b>15.931.867</b>	<b>15.136.125</b>
Financial liabilities			
- Bank borrowings	5	10.270.506	9.569.254
- Obligations under finance leases	7	1.982	1.570
- Bills, bonds and notes issued	5	3.732.588	3.482.522
Trade payables			
- Trade payables to third parties	6	-	83.679
Other payables			
- Other payables to third parties	9	375.233	494.176
Derivative financial instruments			
	15	117.389	152.408
Deferred revenue			
	13	367.201	305.200
Long term provisions			
- Long term provisions for employee benefits	21	813.393	783.401
- Other long-term provisions	21	8.035	7.887
Deferred tax liability			
	11	245.540	256.028
<b>Equity</b>		<b>4.555.087</b>	<b>3.386.621</b>
Paid-in share capital			
	22	3.500.000	3.500.000
Inflation adjustments to paid in capital (-)			
	22	(239.752)	(239.752)
Share based payments (-)			
	22,23	9.528	9.528
Other comprehensive income / expense items not to be reclassified to profit or loss			
- Actuarial loss arising from employee benefits		(526.583)	(493.990)
Other comprehensive income/expense items to be reclassified to profit or loss			
- Hedging reserves		(299.552)	(245.564)
- Foreign currency translation reserve		218.920	99.405
Restricted reserves allocated from profits			
	22	2.355.969	2.355.969
Other reserves			
	22	(1.320.942)	(1.320.942)
(Accumulated losses) / retained earnings			
		(278.033)	446.307
Net profit / (loss) for the period			
		1.135.532	(724.340)
<b>Total liabilities and equity</b>		<b>29.148.535</b>	<b>26.874.451</b>

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

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

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Consolidated Statement of Profit or Loss

for the year Ended 31 December 2017

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

		Current Period Audited	Prior Period Audited
	Notes	1 January - 31 December 2017	1 January - 31 December 2016
Sales	3, 27	18.139.554	16.108.594
Cost of sales (-)	28	(10.029.082)	(9.023.396)
<b>Gross profit</b>		<b>8.110.472</b>	<b>7.085.198</b>
General administrative expenses (-)	28	(2.175.077)	(2.211.725)
Marketing, sales and distribution expenses (-)	28	(2.404.461)	(2.187.900)
Research and development expenses (-)	28	(124.737)	(93.821)
Other operating income	30	291.123	323.863
Other operating expense (-)	30	(540.970)	(775.631)
<b>Operating profit</b>		<b>3.156.350</b>	<b>2.139.984</b>
Income from investing activities	31	130.398	60.040
Expense from investing activities (-)	31	(5.610)	(4.048)
<b>Operating profit before financial expenses</b>		<b>3.281.138</b>	<b>2.195.976</b>
Financial income	32	722.307	664.759
Financial expense (-)	32	(2.525.118)	(3.257.296)
<b>Profit / (loss) before tax</b>	<b>3</b>	<b>1.478.327</b>	<b>(396.561)</b>
<b>Tax expense</b>			
- Current tax expense	33	(696.792)	(405.784)
- Deferred tax income	11, 33	353.997	78.005
<b>Profit / (loss) for the year</b>		<b>1.135.532</b>	<b>(724.340)</b>
Earnings / (losses) per shares attributable to equity holders of the parent from (in full Kuruş)	22	0,3244	(0,2070)
Earnings / (losses) per diluted shares attributable to equity holders of the parent from (in full Kuruş)	22	0,3244	(0,2070)

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

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

## **Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries** **Consolidated Statement of Comprehensive Income** **for the year Ended 31 December 2017**

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

		Current Period	Prior Period
		Audited	Audited
	Notes	1 January - 31 December 2017	1 January - 31 December 2016
<b>Profit / (loss) for the period</b>		<b>1.135.532</b>	<b>(724.340)</b>
<b>Other comprehensive income items not to be reclassified to profit or loss:</b>			
Actuarial loss from employee benefits	21	(40.417)	(74.360)
-Tax effect of actuarial loss from employee benefits	11	7.824	14.755
<b>Other comprehensive income items to be reclassified to profit or loss:</b>			
Change in foreign currency translation differences		119.515	54.975
Cash flow hedges-effective portion of changes in fair value	15	31.566	6.861
Hedge of net investment in a foreign operation		(99.051)	(53.009)
Tax effect on other comprehensive income items to be reclassified to profit or loss		13.497	9.230
-Tax effect of cash flow hedges-effective portion of changes in fair value	11	(6.313)	(1.372)
-Tax effect of hedge of net investment in a foreign operation		19.810	10.602
<b>Other comprehensive income / (loss), net of tax</b>		<b>32.934</b>	<b>(41.548)</b>
<b>Total comprehensive income / (loss)</b>		<b>1.168.466</b>	<b>(765.888)</b>

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

## Türk Telekomünikasyon Anonim Şirketi ve Bağlı Ortaklıkları

### Consolidated Statement of Changes in Equity

#### for the year Ended 31 December 2017

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

	Paid-in share capital	Inflation adjustment to paid in capital	Share based payment reserve	Other gains/(losses)	Gains/(losses) on revaluation and re-measurement	Other comprehensive income items not to be reclassified to profit or loss in subsequent periods	Other comprehensive income items to be reclassified to profit or loss in subsequent periods	Reserve of gains/(losses) on hedging	Gains or losses on hedges of net investment in foreign operations	Cash flow hedge reserve	Foreign currency translation reserve	Restricted reserves allocated from profits	Retained earnings/(losses)	Net profit/(loss) for the period	Equity
<b>Balance at 1 January 2016</b>	3.500.000	(239.752)	9.528	(1.320.942)	(434.385)	(89.537)	(119.109)	44.430	2.289.384	446.307	907.444	4.993.368			
Transfers	-	-	-	-	-	-	-	-	66.585	-	-	-	(66.585)	-	-
Total comprehensive income	-	-	-	-	(59.605)	(42.407)	5.489	54.975	-	-	-	-	(724.340)	(765.888)	(724.340)
<i>Profit for period</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	(724.340)	(724.340)
Other comprehensive income	-	-	-	-	(59.605)	(42.407)	5.489	54.975	-	-	-	-	-	-	(41.548)
Dividends paid (Note 22)	-	-	-	-	-	-	-	-	-	-	-	-	-	(840.859)	(840.859)
<b>Balance at 31 December 2016</b>	3.500.000	(239.752)	9.528	(1.320.942)	(493.990)	(131.944)	(113.620)	99.405	2.355.969	446.307	(724.340)	3.386.621			
<b>Balance at 1 January 2017</b>	3.500.000	(239.752)	9.528	(1.320.942)	(493.990)	(131.944)	(113.620)	99.405	2.355.969	446.307	(724.340)	3.386.621			
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	(724.340)	724.340	-
Total comprehensive income	-	-	-	-	(32.593)	(79.241)	25.253	119.515	-	-	-	-	-	1.135.532	1.168.466
<i>Profit for period</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	1.135.532	1.135.532
Other comprehensive income	-	-	-	-	(32.593)	(79.241)	25.253	119.515	-	-	-	-	-	-	32.934
<b>Balance at 31 December 2017</b>	3.500.000	(239.752)	9.528	(1.320.942)	(526.583)	(211.185)	(88.367)	218.920	2.355.969	(278.033)	1.135.532	4.555.087			

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

# Türk Telekomünikasyon Anonim Şirketi ve Bağlı Ortaklıkları

## Consolidated Statement of Cash Flows

### for the year Ended 31 December 2017

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

		Current Period	Prior Period
		Audited	Audited
		1 January -	1 January -
	Notes	31 December 2017	31 December 2016
<b>Net profit / (loss) for the period</b>		<b>1.135.532</b>	<b>(724.340)</b>
<b>Adjustments to reconcile net profit to cash provided by operating activities:</b>			
Adjustments for depreciation and amortisation expense	29	2.906.444	2.796.343
Adjustments for impairment loss / (reversal of impairment loss)		608.257	433.866
- Adjustments for impairment loss of receivables	6, 9	468.115	371.223
- Adjustments for impairment loss of inventories		27.354	10.425
- Adjustments for impairment loss of property, plant and equipment	29	112.788	52.218
Adjustments for provisions		561.221	412.992
- Adjustments for provisions related with employee benefits	21	324.368	299.997
- Adjustments for reversal of lawsuit and/or penalty provisions	21	236.705	112.819
- Adjustments for other provisions	21	148	176
Adjustments for interest expenses and income		376.277	417.302
- Adjustments for interest expense and income		326.225	337.988
- Deferred financial expenses from credit purchases		50.052	79.314
Adjustments for unrealised foreign exchange losses		1.506.495	2.229.488
Adjustments for fair value losses / (gain)	32	(27.620)	(189.431)
- Adjustments for fair value gains on derivative financial instruments	32	(27.620)	(189.431)
Adjustments for tax expenses	33	342.795	327.779
Adjustments for gains arisen from sale of tangible assets	31	(124.788)	(55.992)
Other adjustments for non-cash items	25	(81.027)	(47.458)
<b>Operating profit before working capital changes</b>		<b>7.203.586</b>	<b>5.600.549</b>
<b>Changes in working capital:</b>			
Adjustments for increase in trade receivable		(1.151.197)	(692.422)
Adjustments for (increase) / decrease in inventories		29.932	(68.478)
Adjustments for increase in trade payable		415.372	1.027.318
Decrease in other third party receivables related with operations		134.657	174.723
Increase in other operating payables to third parties		158.096	27.111
<b>Cash flow from operating activities:</b>			
Interest received		105.850	100.320
Payments related with employee benefits	21	(337.799)	(319.772)
Payments related with other provisions	21	(68.166)	(146.011)
Income taxes paid		(534.115)	(694.273)
Other outflows of cash	25	(12.031)	(76.669)
<b>Net cash from operating activities</b>		<b>5.944.185</b>	<b>4.932.396</b>
<b>Investing activities</b>			
Payments related to liabilities arising from acquisition of non-controlling interests		(205.000)	(27.500)
Proceeds from sale of property, plant, equipment and intangible assets		151.001	82.659
Purchases of property, plant, equipment and intangible assets		(4.223.530)	(4.667.267)
<b>Net cash used in investing activities</b>		<b>(4.277.529)</b>	<b>(4.612.108)</b>
<b>Cash flows from financing activities</b>			
Proceeds from loans		1.560.795	3.522.579
Repayments of borrowings		(1.854.449)	(2.807.518)
- Loan repayments		(1.854.449)	(2.807.518)
Payments of finance lease liabilities	25	(71)	(7.862)
Cash inflows / (outflows) from derivative instruments, net	25	18.788	97.647
Dividends paid	22	-	(840.859)
Interest paid		(456.516)	(430.085)
Interest received		181.787	125.893
Other cash outflows, net	25	(57.412)	(61.567)
<b>Net cash used in financing activities</b>		<b>(607.078)</b>	<b>(401.772)</b>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES		1.059.578	(81.484)
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES IN CASH AND CASH EQUIVALENTS		12.229	183.394
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		2.616.297	2.514.386
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>4</b>	<b>3.688.104</b>	<b>2.616.297</b>

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

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

## **Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

### **Notes to the Consolidated Financial Statements**

### **as at and for the Year Ended 31 December 2017**

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

#### **1. REPORTING ENTITY**

Türk Telekomünikasyon Anonim Şirketi (“Türk Telekom” or “the Company”) is a joint stock company incorporated in Turkey. The Company has its history in the Posthane – i Amirane (Department of Post Office) which was originally established as a Ministry on 23 October 1840. On 4 February 1924, under the Telephone and Telegraph Law No. 406, the authorization to install and operate telephone networks throughout Turkey was given to the General Directorate of Post, Telegraph and Telephone (“PTT”). The Company was founded on 24 April 1995 as a result of the split of the telecommunication and postal services formerly carried out by the PTT. All of the personnel, assets and obligations of the PTT pertaining to telecommunication services were transferred to the Company, the shares of which were fully owned by the Prime Ministry Under secretariat of Treasury (“the Treasury”).

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

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

Oger Telecom Limited (“Oger Telecom”) owns 99% of the shares of OTAŞ, which in turn owns 55% of the Company. Oger Telecom is an entity incorporated in August 2005 as a limited liability company under the laws of the Dubai International Financial Centre.

As at 31 December 2017 and 31 December 2016, the ultimate parent and controlling party of the Company is Saudi Oger Ltd (“Saudi Oger”), because of its controlling ownership in Oger Telecom.

A concession agreement (“the Concession Agreement”) was signed by the Company and Turkish Telecommunication Authority (now named the Information and Communication Technologies Authority (“ICTA”) as at 14 November 2005. The Concession Agreement covers the provision of all kinds of telecommunication services, establishment of necessary telecommunications facilities and the use of such facilities by other licensed operators and the marketing and supply of telecommunication services for 25 years starting from 28 February 2001. The Concession Agreement will terminate on 28 February 2026 and the Company will transfer the entire infrastructure that has been used to provide telecommunication services to ICTA in working condition.

Türk Telekom has the right to apply to the ICTA for renewal of the Türk Telekom Concession Agreement one year prior to the expiry of its term, with any such renewal to be granted at the discretion of the ICTA.

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## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

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#### as at and for the Year Ended 31 December 2017

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

## 1. REPORTING ENTITY (CONTINUED)

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

Name of Subsidiary	Place of incorporation and operation	Principal activity	Functional Currency	Effective ownership of the Company (%)	
				31 December 2017	31 December 2016
TTNet Anonim Şirketi ("TTNet")	Turkey	Internet service provider	Turkish Lira	100	100
Avea İletişim Hizmetleri A.Ş. ("Avea")	Turkey	GSM operator	Turkish Lira	100	100
Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret Anonim Şirketi ("Argela")	Turkey	Telecommunication solutions	Turkish Lira	100	100
Innova Bilişim Çözümleri Anonim Şirketi ("Innova")	Turkey	Telecommunication solutions	Turkish Lira	100	100
Assist Rehberlik ve Müşteri Hizmetleri Anonim Şirketi ("AssistTT")	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") <sup>(1)</sup>	Netherlands	Holding company	Euro	100	100
Türk Telekom International AG ("TTINT Austria") <sup>(1)</sup>	Austria	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International Hu Kft ("TTINT Hungary") <sup>(1)</sup>	Hungary	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
S.C. Euroweb Romania S.A. ("TTINT Romania") <sup>(1)</sup>	Romania	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International Bulgaria EOOD ("TTINT Bulgaria") <sup>(1)</sup>	Bulgaria	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International CZ s.r.o. ("TTINT Czech Republic") <sup>(1)</sup>	Czechia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
TTINT Telcomd.o.o Beograd ("TTINT Serbia") <sup>(1)</sup>	Serbia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
TTINT Telekomunikacijed.o.o ("TTINT Slovenia") <sup>(1)</sup>	Slovenia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International SK s.r.o. ("TTINT Slovakia") <sup>(1)</sup>	Slovakia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
TT International Telekomünikasyon Sanayi ve Ticaret Limited Şirketi ("TTINT Turkey") <sup>(1)</sup>	Turkey	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International UA TOV ("TTINT Ukraine") <sup>(1)</sup>	Ukraine	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International Italy S.R.L. ("TTINT Italy") <sup>(1)</sup>	Italy	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
TTINT International DOOEL Skopje ("TTINT Macedonia") <sup>(1)</sup>	Macedonia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International LLC ("TTINT Russia") <sup>(1)</sup>	Russia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekomünikasyon Euro GmbH. ("TT Euro") <sup>(1)</sup>	Germany	Mobil service marketing	Euro	100	100
Türk Telekom International d.o.o. <sup>(1)</sup>	Croatia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International HK Limited <sup>(1)</sup>	Hong Kong	Internet/data services, infrastructure and wholesale voice services provider	H.K. Dollar	100	100
Net Ekran TV ve Medya Hiz. A.Ş. ("Net Ekran")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
TTES Elektrik Tedarik Satış A.Ş. ("TTES")	Turkey	Electrical energy trading	Turkish Lira	100	100
TT Euro Belgium S.A. <sup>(1)</sup>	Belgium	Mobile service marketing	Euro	100	100
TT Odeme Hizmetleri A.Ş.	Turkey	Mobile finance	Turkish Lira	100	100
Net Ekran1 TV ve Medya Hiz. A.Ş. ("Net Ekran1")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran2 TV ve Medya Hiz. A.Ş. ("Net Ekran2")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran3 TV ve Medya Hiz. A.Ş. ("Net Ekran3")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran4 TV ve Medya Hiz. A.Ş. ("Net Ekran4")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran5 TV ve Medya Hiz. A.Ş. ("Net Ekran5")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran6 TV ve Medya Hiz. A.Ş. ("Net Ekran6")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran7 TV ve Medya Hiz. A.Ş. ("Net Ekran7")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran8 TV ve Medya Hiz. A.Ş. ("Net Ekran8")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran9 TV ve Medya Hiz. A.Ş. ("Net Ekran9")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran10 TV ve Medya Hiz. A.Ş. ("Net Ekran10")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran11 TV ve Medya Hiz. A.Ş. ("Net Ekran11")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran12 TV ve Medya Hiz. A.Ş. ("Net Ekran12")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran13 TV ve Medya Hiz. A.Ş. ("Net Ekran13")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran14 TV ve Medya Hiz. A.Ş. ("Net Ekran14")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran15 TV ve Medya Hiz. A.Ş. ("Net Ekran15")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran16 TV ve Medya Hiz. A.Ş. ("Net Ekran16")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
11818 Rehberlik ve Müşteri Hizmetleri A.Ş. ("11818")	Turkey	Call center and customer relations	Turkish Lira	100	100
TT Satış ve Dağıtım Hizmetleri Anonim Şirketi	Turkey	Selling and Distribution Services	Turkish Lira	100	-

<sup>(1)</sup> Hereinafter, will be referred as TTINT Group.

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## **Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

### **Notes to the Consolidated Financial Statements**

### **as at and for the Year Ended 31 December 2017**

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

#### **1. REPORTING ENTITY (CONTINUED)**

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

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

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

The number of personnel subject to collective agreement as at 31 December 2017 is 11.770 (31 December 2016: 11.681) and the number of personnel not subject to collective agreement as at 31 December 2017 is 22.732 (31 December 2016: 21.543). The total number of personnel as at 31 December 2017 and 31 December 2016 are 34.502 and 33.224, respectively.

#### **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

##### **2.1 Basis of presentation of the consolidated financial statements**

###### **a) Statement of compliance with TAS**

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

###### **b) Preparation of financial statements**

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

The accompanying consolidated financial statements are approved by the Company’s Board of Directors on 8 February 2018. General Assembly and related legal institutions have the right to correct these financial statements and statutory financial statements.

###### **c) Correction of financial statements during the hyperinflationary periods**

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

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## **Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

### **Notes to the Consolidated Financial Statements**

#### **as at and for the Year Ended 31 December 2017**

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

## **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

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

#### **d) Basis of measurement**

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

The methods used to measure the fair values are discussed further in Note 2.4 (u).

#### **e) Functional and presentation currency**

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

Functional currencies of the subsidiaries are presented in Note 1.

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

#### **Additional paragraph for convenience translation to English:**

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

### **2.2 Basis of consolidation**

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

#### **a) Subsidiaries**

As at 31 December 2017, the consolidated financial statements include the financial results of Türk Telekom and its subsidiaries that the Group has control over its financial and operational policies which are listed at Note 1.

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

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

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

## **Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

### **Notes to the Consolidated Financial Statements**

#### **as at and for the Year Ended 31 December 2017**

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

## **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

### **2.2 Basis of consolidation (continued)**

#### **b) Business combinations**

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

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquirer. The consideration transferred is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, the liabilities incurred by the Group to former owners of the entity and the equity interests issued by the Group. When the agreement with the seller includes a clause that the consideration transferred could be adjusted for future events, the acquisition-date fair value of this contingent consideration is included in the cost of the acquisition. All transaction costs incurred by the Group have been recognized in general administrative expenses. For each business combination, the Group elects whether it measures the non-controlling interest in the acquirer either at fair value or at the proportionate share of the acquirer’s identifiable net assets.

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

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

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

#### **c) Transactions eliminated on consolidation**

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

#### **d) Foreign currency**

##### *i) Foreign currency transactions*

Transactions in foreign currencies are translated to the functional currencies of the Group entities at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated to the functional currency at the exchange rate ruling at the date. Foreign currency differences arising on translation of foreign currency transactions are recognized in the income statement.

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## **Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

### **Notes to the Consolidated Financial Statements**

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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 Basis of consolidation (continued)**

#### **d) Foreign currency**

##### *i) Foreign currency transactions (continued)*

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on qualifying cash flow hedges to the extent the hedge is effective, which are recognized in other comprehensive income.

##### *ii) Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to reporting currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to reporting currency at average exchange rates in the related periods. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

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

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

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

	Average		Period end	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Euro / TL	4,1159	3,3375	4,5155	3,7099
USD / TL	3,6445	3,0181	3,7719	3,5192

##### *iii) Hedge of net investment in a foreign operation*

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

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## **Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

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## **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

### **2.3 Changes in accounting policies, comparative information and restatement of prior periods' financial statements**

The reclassifications that are made as at 31 December 2016

Set-top boxes and satellite receivers amounting to TL 49,034 for the year ended 31 December 2016 which were previously presented in inventory in consolidated financial statements, are reclassified in property, plant and equipment.

Amortization expenses amounting to TL 21,060 and TL 24,205 which were previously presented under marketing, sales and distribution expenses and general administrative expenses, respectively, in the consolidated profit or loss statement for the year ended 31 December 2016, are reclassified to cost of sales as a result of amendments in cost mappings of one of the subsidiary of the Group.

### **2.4 Summary of significant accounting policies**

#### **a) Financial instruments**

##### *i) Non-derivative financial assets*

The Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

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

The Group classifies non-derivative financial assets as comprising loans and receivables and cash and cash equivalents and financial investments.

##### Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables, receivables from related parties and financial investments.

Receivables from customers in relation to a component of revenue are recognized as trade receivables in financial statements. Receivables that are not classified as trade receivables and are not financial investments are recognized as other receivables.

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## **Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries** **Notes to the Consolidated Financial Statements** **as at and for the Year Ended 31 December 2017**

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

### **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

#### **2.4 Summary of significant accounting policies (continued)**

##### **a) Financial instruments (continued)**

###### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents comprise cash, cash at banks and other cash and cash equivalents.

Project and reserve accounts are included in other current assets. The use of project and reserve accounts are subjected to the approval of the lender in accordance with the financial contracts.

Accounting for finance income and expenses is discussed in Note 2.4 (o).

###### *Financial investments*

As of 31 December 2017 and 2016, the Group accounted its 20% shareholding in Cetel Telekom İletişim Sanayi ve Ticaret Anonim Şirketi (Cetel) as financial investments in the consolidated financial statements. As of 31 December 2017 and 2016, Cetel is carried at cost after deducting impairment, if any and accounted under financial investments in the consolidated financial statements because the Company does not have significant influence at Cetel.

##### *ii) Non-derivative financial liabilities*

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

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

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

Other financial liabilities comprise loans, debt securities issued, trade and other payables, payables to related parties and other payables.

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

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

When a financial instrument gives rise to a contractual obligation on the part of the Group to deliver cash or another financial asset or to exchange another financial instrument under conditions that are potentially unfavorable, it is classified as a financial liability. The instrument is equity instrument if, are met:

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## **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

### **2.4 Summary of significant accounting policies (continued)**

#### **a) Financial instruments (continued)**

##### *ii) Non-derivative financial liabilities (continued)*

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

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

##### *iii) Share capital*

The ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

##### *iv) Derivative financial instruments*

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

The fair value of derivative financial instruments is determined by reference to market value for similar instruments.

For the purpose of hedge accounting, hedges are classified as; cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company assesses the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. It is expected that hedge transaction is to be effective in stabilizing changes between changes in fair value or cash flow. During all financial reporting periods in which it is defined, hedge transaction is evaluated continuously for identification of effectiveness and it is expected to be consistent with documented risk management strategy. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

The derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

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### **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

#### **2.4 Summary of significant accounting policies (continued)**

##### **a) Financial instruments (continued)**

##### *iv) Derivative financial instruments (continued)*

##### Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedging reserve in equity.

The amount recognized in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognized in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognized. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss. In other cases the amount recognized in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

##### **b) Property, plant and equipment**

##### *i) Recognition and measurement*

Property, plant and equipment (“PPE”) of the Group is carried at cost less accumulated depreciation and any accumulated impairment losses. The Group elected to measure property, plant and equipment of the Company on a deemed cost basis in the first period of application of TAS 29 “Financial Reporting in Hyper Inflationary Economy” since detailed records of the acquisition date and costs of items of PPE were not available for the Company prior to 1 January 2000. The deemed cost values for land and buildings as at 1 January 2000 were appraised by CMB licensed real-estate valuation companies. The network equipment and vehicles values were appraised by Detecon International GmbH (a subsidiary of Deutsche Telecom AG). Other than the PPE for which cost was determined on a deemed cost basis, the cost of PPE generally comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. PPE that are recognized at deemed cost basis or at cost are restated for the effects of inflation until 31 December 2004 in accordance with TAS 29.

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

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

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### **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

#### **2.4 Summary of significant accounting policies (continued)**

##### **b) Property, plant and equipment (continued)**

###### *ii) Subsequent cost*

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

###### *iii) Depreciation*

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

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

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

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

The remaining useful lives of the PPE of the Company are limited to the concession periods. Considering the Concession Agreement the remaining useful lives of tangible fixed assets are 9 years at the most.

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

##### *c) Intangible assets*

###### *i) Goodwill*

Goodwill that arises on the acquisition of subsidiaries is included in intangible assets. The Group measures goodwill at the acquisition date as:

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

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## **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

### **2.4 Summary of significant accounting policies (continued)**

#### **c) Intangible assets (continued)**

##### *i) Goodwill (continued)*

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

##### *Subsequent measurement*

Goodwill is measured at cost less accumulated impairment losses.

##### *ii) Other intangible assets*

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

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

Changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated income statement. The amortization periods for intangible assets are between 3 and 25 years. The remaining useful lives of the intangible items are limited to the concession period. Considering the Concession Agreement, the remaining useful lives of intangible fixed assets are 9 years at the most.

##### *iii) Research and development*

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

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

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## **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

### **2.4 Summary of significant accounting policies (continued)**

#### **d) Investment properties**

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

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

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

Depreciation is charged to investment properties excluding land, over their estimated useful economic lives, using the straight-line method. The useful lives of buildings that are owned by the Group range between 15 - 50 years. The remaining useful life of the investment property is limited by the concession agreement, except for the exception of the concession agreement. When considering the Concession agreement the remaining useful lives of investment property is 9 years at the most.

#### **e) Assets held for sale**

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

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

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

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## **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

### **2.4 Summary of significant accounting policies (continued)**

#### **f) Leased assets**

##### *i) The Group as lessor*

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease in the consolidated statement of income. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

##### *ii) The Group as lessee*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Financial charges are included to the consolidated income statement.

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

#### **g) Inventory**

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

Modems are transferred from inventories to property, plant and equipment when the subscriber is connected to the platform.

#### **Content inventory**

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

#### **h) Impairment**

##### *i) Financial assets*

At each balance sheet date, The Group assesses whether a financial asset or group of financial assets is impaired. When an objective evidence exists which represents that an impairment loss occurred in the receivables and loans stated as its amortized cost or the investments held until their maturity, amount of the loss has been determined as the difference between the current value calculated by discounting the estimated cash flows (excluding unrealized loan losses in the future) in the future based on the original interest rate (the effective interest rate calculated when initial accounting occurred) of the financial asset and the carrying value. Carrying value of the asset is decreased directly or by using a provision account. The related loss amount is recognized in income statement.

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## **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

### **2.4 Summary of significant accounting policies (continued)**

#### **h) Impairment (continued)**

##### *i) Financial assets (continued)*

In the subsequent term, if the impairment loss decreases and the related decrease is objectively associated with a case (such as improvement at the credit rate of the obligator) occurred after the impairment loss has been recognized/accounted, the recognized impairment loss has been reversed directly or by using a provision account. The reverse cannot cause carrying value of the related financial asset to be higher than the amortized value which arised as at the date of the reversal of impairment if the impairment is not recognized/accounted. The reversed amount is recognized/accounted in income statement.

Reserve is provided for the overdue uncollectible receivables. Also portfolio reserve is provided for the not due receivables based on certain criteria. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

##### *ii) Non-financial assets*

##### *Property, plant and equipment and intangible assets*

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

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

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

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

##### *Goodwill*

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

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

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## **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

### **2.4 Summary of significant accounting policies (continued)**

#### **h) Impairment (continued)**

##### *ii) Non-financial assets (continued)*

##### *Goodwill (continued)*

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

#### **i) Reserve for employee severance indemnity**

Payments to defined contribution retirement benefit plans are charged as an expense in the year in which the contributions relate to. Payments made to the Social Security Institution of Turkey and Turkish Republic Retirement Fund are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan. The Group pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense in the period to which the employees' service relates.

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

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

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

#### **j) Provisions**

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

#### **k) Contingent assets and liabilities**

Possible assets or obligations that arise from past events and for which their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not entirely within the control of the Group are treated as contingent assets or liabilities.

A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. If the possibility of transfer of assets is probable, contingent liability is recognized in the financial statements.

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## **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

### **2.4 Summary of significant accounting policies (continued)**

#### **k) Contingent assets and liabilities**

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

#### **l) Related parties**

Parties are considered related to the Company if;

a) A person or a close member of that person's family is related to a reporting entity if that person:

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

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

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

#### **m) Revenue**

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of the goods and services can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Service revenues are recorded at the time services are rendered.

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## **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

### **2.4 Summary of significant accounting policies (continued)**

#### **m) Revenue (continued)**

##### *i) Fixed-line revenues*

Revenues from fixed-line telecommunication services like network access, local usage, domestic and international long distance and infrastructure leases are recognized on an accrual basis as services are provided. Connection fees are immediately recognized as revenue when connection services are provided and the cost of connection is also recognized immediately as an expense.

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

##### *ii) Mobile revenues*

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

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

##### *iii) Equipment sale revenues*

Revenues from sales of phone device, modem and other network equipment are recorded as revenue at the time of delivery of equipment to customers.

In connection with campaigns, other telecommunication services may be bundled with phone devices and modems. Total consideration related to the bundled contract is allocated to the different components if the component has standalone value to the customer and the fair value of the component can be measured reliably. Total consideration is allocated to each component in proportion to the fair value of the individual components. Revenue attributed to delivered component is limited with the amount not contingent to the undelivered component. Equipment revenues are presented in other revenues. Cost of products and services are recognized as expense when related revenue is recognized.

##### *iv) TV revenues*

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

#### **n) Income from investing activities and expense from investing activities**

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

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## **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

### **2.4 Summary of significant accounting policies (continued)**

#### **o) Financial income and financial expenses**

Financial income is comprised of interest income, foreign exchange gain, dividend income, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Financial expenses are comprised of interest expense on borrowings, transaction costs, coupon payments of bond, impairment losses recognized on financial assets (except for trade receivables) and losses on hedging instruments that are recognized in the profit or loss. Borrowing costs that cannot be matched with acquisition, construction or production of an asset are recognized in profit or loss by using effective interest rate.

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

#### **p) Earnings per share**

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

#### **r) Taxes**

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

##### *i) Current tax*

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

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

##### *ii) Deferred tax*

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

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### **2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

#### **2.4 Summary of significant accounting policies (continued)**

##### **r) Taxes (continued)**

###### *ii Deferred tax (continued)*

Deferred tax is not recognized for:

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

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

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

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

###### *iii) Tax exposures*

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

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

##### **s) Subscriber acquisition costs**

The Group recognizes subscriber acquisition costs in the consolidated statement of profit/(loss) during the year they are incurred. Subscriber acquisition costs include subsidization of the handset, taxes on subscription, commissions and premiums incurred for acquisitions.

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## **2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

### **2.4 Summary of significant accounting policies (continued)**

#### **t) Segment reporting**

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

#### **u) Determination of fair values**

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

#### *i) Trade and other receivables*

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

#### *ii) Derivatives*

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

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

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

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

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

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### **2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

#### **2.4 Summary of significant accounting policies (continued)**

##### **v) Standards and interpretations issued but not yet effective**

###### *Standards issued but not yet effective and not early adopted*

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

##### **IFRS 9 Financial Instruments – Classification and Measurement**

IFRS 9 Financial Instruments, has been published in January 2017, replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. This version includes referrals in earlier versions of IFRS 9 and revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company plans to apply the standard with the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings recognised at 1 January 2018. Prior period comparative financial statements will not be restated. The Group is in the process of assessing the impact of the standard on consolidated financial position or performance of the Group.

##### **IFRS 15 Revenue from Contracts with Customers**

The standard replaces existing IFRS guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS.

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

##### **IFRS Interpretation 22 – Foreign Currency Transactions and Advance Consideration**

The amendment clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

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## **2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

### **2.4 Summary of significant accounting policies (continued)**

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

##### **Amendments to TFRS 2 – Classification and Measurement of Share-based Payment Transactions**

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

##### **TAS 40 – Transfers of Investment Property**

Amendments to IAS 40 - Transfers of Investment Property issued by IASB have been made to clarify uncertainty about that provide evidence of transfer of /from investment property to other asset groups. A change in management's intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized (eliminated from the statement of financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

##### **Improvements to IFRSs**

The IASB issued Annual Improvements to IFRSs - 2014–2016 Cycle. The amendments are effective as of 1 January 2018. Earlier application is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

##### **Annual Improvements 2014- 2016**

###### *TFRS 1 “First Time Adoption of International Financial Reporting Standards”*

IFRS 1 is amended to clarify that the deletion of short-term exemptions for first-time adopters within the context of ‘Annual Improvements to IFRSs 2012-2014 Cycle’ related to disclosures for financial instruments, employee benefits and consolidation of investment entities.

###### *TAS 28 “Investments in Associates and Joint Ventures”*

The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9.

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## **2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

### **2.4 Summary of significant accounting policies (continued)**

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

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

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

#### **IFRS 16 Leases**

On 13 January 2016, IASB published the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently change IAS 40 Investment Properties. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15–Revenue from Contracts with Customers. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

#### **IFRIC 23 –Uncertainty over Income Tax Treatments**

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

#### **IFRS 17 –Insurance Contracts**

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

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## **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

### **2.4 Summary of significant accounting policies (continued)**

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

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

#### **Improvements to IFRSs**

##### *Annual Improvements to IFRSs 2015-2017 Cycle*

IASB issued Annual Improvements to IFRSs - 2015-2017 Cycle. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

#### **IAS 12 Income Taxes**

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income or equity.

#### **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements**

IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party re-measures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not re-measured.

#### **IAS 23 Borrowing Costs**

IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

#### **Amendments to IAS 28- Long-term interests in Associates and Joint Ventures**

On 12 October 2017, IASB has issued amendments to IAS 28 to clarify that entities also apply IFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of IAS 28. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 28.

#### **Amendments to IFRS 9 - Prepayment features with negative compensation**

On 12 October 2017, IASB has issued amendments to IFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortized cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. Under IFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include 'reasonable additional compensation' for early termination of the contract. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IFRS 9.

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## **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

### **2.5 Significant accounting assessments, estimates and assumptions**

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

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

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

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

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

*iv) Commission income:* The Group renders intermediary collection services regarding handsets sold by the distributors at the Group exclusive sale channels. Accordingly, the arrangement with the customer includes both handset principal amount and GSM services. Total considerations have been collected from the customers with up to 36 month instalments via GSM bills where each benefit is clearly identifiable and separable. the Group does not recognize any revenues from the sale of handsets and acts as an agent since it has no control over price , nor risk on stock . However, the collection risk of handset principal amount is on the Group and the distributors collect this amount from the Group on monthly basis. Apart from the GSM revenues, since customer base and sales channels are made available to the distributors, the Group charges a commission to those distributors. This commission income is classified under other revenues and it is recognized when the handset is delivered to the customer.

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

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

Critical judgments of the management in relation with TFRS Interpretation 12 are explained in "key sources of estimation uncertainty" in TFRS Interpretation 12 section.

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## **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

### **2.5 Significant accounting assessments, estimates and assumptions (continued)**

#### **Key sources of estimation uncertainty**

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

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

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

- i) The Company assesses that approximately 30% of the foreseen network investments related to the replacement of the network equipment which are reclassified to intangible assets and which are then recognized in the financial statements as intangible assets are the contractual replacements as required by the concession agreement. The Group has provided a provision amounting to TL 8.035 (31 December 2016: TL 7.887) (Note 21) in the consolidated financial statements for the foreseen contractual replacements in the future. Aforementioned provision is the present value of the contractual replacement expenses as at 31 December 2017 that will be realized in the future. Discount rate used in the provision calculation is determined as 14,40% (31 December 2016: 15,60%).
- ii) In accordance with TFRS Interpretation 12, the Company has determined the cost of the investments in intangible assets recognized under the scope of TFRS Interpretation 12 by adding the profit margin, which is applied in the market for similar construction services, to the cost of acquiring the related network equipment. The estimated profit margin used in construction services provided in exchange for concession right is 13% (31 December 2016: 13%) for the year ended as of 31 December 2017. The profit margin of property, plant and equipment accounted within the scope of TFRS Interpretation 12 amounting to TL 704.315 (31 December 2016: TL 412.516) (Note 20) is TL 81.028 for the year ended as of 31 December 2017 (31 December 2016: TL 47.458).

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

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

e) The impairment losses in trade and other receivables are based on management's evaluation of the volume of the receivables outstanding, historical collection trends and general economic conditions. The Group follows collection of trade receivables periodically and on the basis of previous years' collection ratios, records provisions in case of losses due to trade receivables. Should economic conditions, collection trends or any specific industry trend worsen compared to management estimates, allowance for doubtful receivables recognized in consolidated financial statements may not be sufficient to cover bad debts.

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## **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

### **2.5 Significant accounting assessments, estimates and assumptions (continued)**

#### **Key sources of estimation uncertainty (continued)**

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

There are other estimations made by the management during the determination of provisions for litigations (Note 24).

## **3. SEGMENT REPORTING**

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

## 3. SEGMENT REPORTING (CONTINUED)

	Fixed line		Mobile		Intra-group eliminations and consolidated adjustments				Consolidated	
	1 January - 31 December 2017	1 January - 31 December 2016	1 January - 31 December 2017	1 January - 31 December 2016	1 January - 31 December 2017	1 January - 31 December 2016	1 January - 31 December 2017	1 January - 31 December 2016	1 January - 31 December 2017	1 January - 31 December 2016
Revenue	12.803.650	11.556.979	6.695.859	5.797.353	(1.359.955)	(1.245.738)	18.139.554	16.108.594		
Contributive revenue <sup>(*)</sup>	11.537.237	10.395.512	6.602.317	5.713.082	-	-	18.139.554	16.108.594		
Contributive EBITDA <sup>(**)</sup>	4.787.299	4.185.395	1.664.609	1.284.487	-	-	6.451.908	5.469.882		
Capital expenditure <sup>(***)</sup>	2.254.645	1.829.183	977.417	1.236.550	(11.227)	(38.986)	3.220.835	3.026.747		

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

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

(\*\*\*) Capital expenditures do not include TL 81.028 (31 December 2016: TL 47.458) amounted profit margin which is capitalized on intangible assets that are accounted within the scope of TFRS Interpretation 12

(\*\*\*\*) 2016 "Contributive EBITDA" amounts were revised by allocation of intra-group charges for shared costs.

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### 3. SEGMENT REPORTING (CONTINUED)

	1 January - 31 December 2017	1 January - 31 December 2016
Fixed line contributive EBITDA	4.787.299	4.185.395
Mobile contributive EBITDA	1.664.609	1.284.487
<b>EBITDA</b>	<b>6.451.908</b>	<b>5.469.882</b>
Foreign exchange gains, interest income, discount income on current accounts presented in other operating income	172.841	181.983
Foreign exchange losses, interest income, discount income on current accounts presented in other operating expense (-)	(324.379)	(607.328)
Financial income	722.307	664.759
Financial expense (-)	(2.525.118)	(3.257.296)
Depreciation, amortisation and impairment	(3.019.232)	(2.848.561)
<b>Consolidated profit /(loss) before tax</b>	<b>1.478.327</b>	<b>(396.561)</b>

<b>31 December 2017</b>	<b>Fixed Line</b>	<b>Mobile</b>	<b>Eliminations</b>	<b>Consolidated</b>
Total segment assets	19.831.444	9.649.583	(332.492)	29.148.535
Total segment liabilities	(21.438.677)	(3.477.001)	322.230	(24.593.448)
<b>31 December 2016</b>	<b>Fixed Line</b>	<b>Mobile</b>	<b>Eliminations</b>	<b>Consolidated</b>
Total segment assets	20.613.523	10.089.774	(3.828.846)	26.874.451
Total segment liabilities	(19.913.378)	(7.382.452)	3.808.000	(23.487.830)

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### **4. CASH AND CASH EQUIVALENTS**

	<b>31 December 2017</b>	<b>31 December 2016</b>
Cash on hand	298	358
Cash at banks– demand deposit	631.227	911.595
Cash at banks– time deposit	3.467.650	2.100.430
Other	1.029	3.983
	<b>4.100.204</b>	<b>3.016.366</b>

As of 31 December 2017, time deposits are all short-term, maturing within one month and denominated in both foreign currencies and TL. The interest rates are between 5,00% and 15,45% for TL deposits, between 0,10% and 4,60% for US Dollar deposits and between 0,05% and 2,77% for Euro deposits (31 December 2016: for TL deposits between 3,00% and 12,00%, for US Dollar deposits between 0,25% and 3,93%, for Euro deposits between 0,10% and 2,41%).

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

	<b>31 December 2017</b>	<b>31 December 2016</b>
Cash and cash equivalents	4.100.204	3.016.366
Less: restricted amounts		
- Collection protocols and ATM collection	(377.983)	(380.960)
- Other	(34.117)	(19.109)
<b>Unrestricted cash</b>	<b>3.688.104</b>	<b>2.616.297</b>

As of 31 December 2017, demand deposits amounting to TL 377.983 (31 December 2016: TL 380.960) is restricted due to collection protocols signed with banks for receipts from the subscribers, under which proceeds are made available to the Group a certain number of days after the cash is collected.

As of 31 December 2017, the Group has bank loans amounting to EURO 136.252 (31 December 2016: USD 11.415 and Euro 105.576) which have been committed to banks and have not been utilized yet, having maturity dates on 17 November 2020 and 20 December 2020, respectively.

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## 5. FINANCIAL LIABILITIES

### Bank borrowings

	Weighted average nominal interest rate (%)	31 December 2017		Weighted average nominal interest rate (%)	31 December 2016	
		Original amount	TL equivalent		Original amount	TL equivalent
<b>Short-term borrowings:</b>						
TL bank borrowings with fixed interest rates	13,86	65.459	65.459	14,05	70.200	70.200
<b>Interest accruals:</b>						
TL bank borrowings with fixed interest rates		1.255	1.255		2.374	2.374
<b>Short-term borrowings</b>			<b>66.714</b>			<b>72.574</b>
<b>Short-term portion of long-term bank borrowings:</b>						
USD bank borrowings with fixed interest rates	3,08	40.582	153.072	3,06	50.865	179.005
USD bank borrowings with variable interest rates <sup>(*)</sup>	3,76	288.451	1.088.010	3,31	302.549	1.064.727
EUR bank borrowings with variable interest rates <sup>(**)</sup>	1,27	238.168	1.075.450	1,22	162.517	602.920
<b>Interest accruals of long-term bank borrowings:</b>						
USD bank borrowings with fixed interest rates		202	761		505	1.778
USD bank borrowings with variable interest rates <sup>(*)</sup>		18.560	70.007		11.522	40.547
EUR bank borrowings with variable interest rates <sup>(**)</sup>		1.823	8.231		2.276	8.444
<b>Short-term portion of long-term bank borrowings</b>			<b>2.395.531</b>			<b>1.897.421</b>
<b>Total short-term borrowings</b>			<b>2.462.245</b>			<b>1.969.995</b>
<b>Long-term borrowings:</b>						
TL bank borrowings with fixed interest rates	17,00	14.600	14.600	-	-	-
USD bank borrowings with fixed interest rates	3,08	20.870	78.718	3,06	61.402	216.085
USD bank borrowings with variable interest rates <sup>(*)</sup>	3,76	1.633.262	6.160.503	3,31	1.588.956	5.591.854
EUR bank borrowings with variable interest rates <sup>(**)</sup>	1,27	889.533	4.016.685	1,22	1.013.859	3.761.315
<b>Total long-term borrowings</b>			<b>10.270.506</b>			<b>9.569.254</b>
<b>Total financial liabilities</b>			<b>12.732.751</b>			<b>11.539.249</b>

<sup>(\*)</sup> As at 31 December 2017, interest rate varies between Libor+ 0,54% and 3,40% (31 December 2016: Libor + 0,54% and 3,40%)

<sup>(\*\*)</sup> As at 31 December 2017, interest rate varies between Euribor + 0,25% and 2,59% (31 December 2016: Euribor + 0,25% and 2,59%)

**5. FINANCIAL LIABILITIES (CONTINUED)***Bank borrowings (continued)*

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

	31 December 2017					31 December 2016						
	Up to 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	More than 5 years	Total	Up to 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	More than 5 years	Total
TL bank borrowings with fixed interest rates	31969	34.745	14.600	-	-	81.314	64.816	7.758	-	-	-	72.574
USD bank borrowings with fixed interest rates	15.064	138.769	60.908	17.810	-	232.551	11.679	169.104	142.636	73.449	-	396.868
USD bank borrowings with variable interest rates	180.176	977.841	1.433.414	3.874.871	852.218	7.318.520	485.973	619.301	996.966	2.996.316	1.598.572	6.697.128
Euro bank borrowings with variable interest rates	31.017	1.052.664	1.406.622	1.809.161	800.902	5.100.366	26.749	584.615	875.653	2.373.603	512.059	4.372.679
	<b>258.226</b>	<b>2.204.019</b>	<b>2.915.544</b>	<b>5.701.842</b>	<b>1.653.120</b>	<b>12.732.751</b>	<b>589.217</b>	<b>1.380.778</b>	<b>2.015.255</b>	<b>5.443.368</b>	<b>2.110.631</b>	<b>11.539.249</b>

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#### 5. FINANCIAL LIABILITIES (CONTINUED)

Bill, bonds and notes issued

	31 December 2017			31 December 2016		
	Weighted average nominal interest rate (%)	Original amount	TL equivalent	Weighted average nominal interest rate (%)	Original amount	TL equivalent
<b>Bill, bonds and notes issued:</b>						
USD bank borrowings with fixed interest rates	4,54	6.310	23.800	4,54	4.897	17.235
<b>Short-term bills, bonds and notes issued</b>		<b>6.310</b>	<b>23.800</b>		<b>4.897</b>	<b>17.235</b>
<b>Long-term bills, bonds and notes issued:</b>						
USD bank borrowings with fixed interest rates	4,54	989.578	3.732.588	4,54	989.578	3.482.522
<b>Long-term bills, bonds and notes issued</b>		<b>989.578</b>	<b>3.732.588</b>		<b>989.578</b>	<b>3.482.522</b>
<b>Total financial liabilities</b>		<b>995.888</b>	<b>3.756.388</b>		<b>994.475</b>	<b>3.499.757</b>

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

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

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

	31 December 2017x				31 December 2016			
	3 months to 1 year	1 year to 5 years	More than 5 years	Total	3 months to 1 year	1 year to 5 years	More than 5 years	Total
Issued long term bills, bonds and notes	23.800	1.870.509	1.862.079	3.756.388	17.235	1.745.194	1.737.328	3.499.757
	<b>23.800</b>	<b>1.870.509</b>	<b>1.862.079</b>	<b>3.756.388</b>	<b>17.235</b>	<b>1.745.194</b>	<b>1.737.328</b>	<b>3.499.757</b>

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## 6. TRADE RECEIVABLES FROM AND PAYABLES TO THIRD PARTIES

### Trade receivables

	31 December 2017	31 December 2016
<b>Short-term</b>		
Trade receivables	6,857,149	5,787,093
Other trade receivables	148,473	140,036
Income accruals	627,510	564,735
Allowance for doubtful receivables (-)	(2,840,298)	(2,373,313)
<b>Total short-term trade receivables</b>	<b>4,792,834</b>	<b>4,118,551</b>
<b>Long-term</b>		
Trade receivables	91,197	42,095
<b>Total long-term trade receivables</b>	<b>91,197</b>	<b>42,095</b>

Trade receivables generally have a maturity term of 60 days on average (31 December 2016: 60 days).

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

	1 January 2017 - 31 December 2017	1 January 2016 - 31 December 2016
At January 1	(2,373,313)	(2,002,146)
Provision for the year	(610,167)	(517,564)
Reversal of provision - collections	142,397	147,219
Write off of doubtful receivables	1,356	298
Change in currency translation differences	(571)	(1,120)
<b>At 31 December</b>	<b>(2,840,298)</b>	<b>(2,373,313)</b>

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

	Total	Neither past due nor impaired	Past due but not impaired					
			< 30 days	30-60 days	60-90 days	90-120 days	120-360 days	>360 days
31 December 2017	4,884,031	3,546,112	288,448	157,752	91,438	79,982	349,930	370,369
31 December 2016	4,160,646	2,965,393	301,231	137,177	81,676	77,400	232,356	365,413

Receivables guaranteed of the Group are amounted to TL 17,232 (31 December 2016: TL 34,085).

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### **6. TRADE RECEIVABLES FROM AND PAYABLES TO THIRD PARTIES (CONTINUED)**

#### *Trade payables*

	31 December 2017	31 December 2016
<b>Short-term</b>		
Trade payables	3.681.260	4.134.350
Expense accruals	385.298	388.039
<b>Total short-term trade payables</b>	<b>4.066.558</b>	<b>4.522.389</b>
<b>Long-term</b>		
Trade payables	-	83.679
<b>Total long-term trade payables</b>	<b>-</b>	<b>83.679</b>

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

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

As of 31 December 2017, long term trade payables which have a maturity of more than 1 year include TV broadcasting and license rights.

As of 31 December 2017, short term trade payables consists of payables within scope of supplier finance that amounting TL 937.140 (31 December 2016: TL 778.509).

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## 7. RECEIVABLES AND OBLIGATIONS UNDER FINANCE AND OPERATIONAL LEASES

### Financial leases:

The Group has no financial lease receivables as of 31 December 2017 and 2016.

Finance lease obligations that the Group has entered into for acquisition of network equipment, vehicle and a building are as follows:

	31 December 2017			31 December 2016		
	Future minimum lease payments	Interest	Present Value of minimum lease payments	Future minimum lease payments	Interest	Present Value of minimum lease payments
Within one year	619	2	617	608	5	603
Between one to two years	1.983	1	1.982	1.571	1	1.570
	<b>2.602</b>	<b>3</b>	<b>2.599</b>	<b>2.179</b>	<b>6</b>	<b>2.173</b>

### Operating leases:

At the balance sheet date, the Group has irrevocable operational leasing commitments on the basis of the other property rental operations. The maturity dates of these commitments as follows:

	31 December 2017	31 December 2016
Within one year	4.358	4.237
Between one to two years (inclusive)	5.018	3.609
In the second to fifth years (inclusive)	4.849	7.439
After fifth year	342	532
	<b>14.567</b>	<b>15.817</b>

a) The Company has operating lease agreements with respect to leased lines. The revenue from leased lines for the year ended TL 31 December 2017 amounts to TL 382.573 (31 December 2016: TL 398.079).

b) Group entered into operating lease agreements with respect to base stations and rental buildings. Total operating lease expense for the year ended 31 December 2017 amounts to TL 428.538 (31 December 2016: TL 418.030).

A summary of commitments in relation to base station leases are as follows:

	31 December 2017	31 December 2016
Within one year	125.467	121.749
Between two and five years	464.405	379.844
Later than five years	69.340	63.711
	<b>659.212</b>	<b>565.304</b>

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#### **8. DUE FROM AND DUE TO RELATED PARTIES**

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

Institutions under state control are defined as related parties due to 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 31 December 2017 and 31 December 2016 are disclosed below:

	31 December 2017	31 December 2016
<b>Due from related parties</b>		
<b>Parent company</b>		
Saudi Telecom Company (“STC”) <sup>(1)</sup>	22.399	25.606
<b>Other related parties</b>		
Other	1.308	587
	<b>23.707</b>	<b>26.193</b>
<b>Due to related parties</b>		
<b>Parent company</b>		
STC <sup>(1)</sup>	2.326	1.406
<b>Other related parties</b>		
OTYH <sup>(2)</sup>	-	6.574
Other	-	832
	<b>2.326</b>	<b>8.812</b>

<sup>(1)</sup> Shareholder of Oger Telecom

<sup>(2)</sup> A subsidiary of Saudi Oger

#### *Transactions with shareholders:*

Avea is required under the terms of the Avea Concession Agreement, to pay 15% share to the Treasury (the Treasury Share) of its monthly gross revenue. Besides, the Company and its other subsidiaries that are operating in the telecommunications sector are required to pay universal service fund at 1% of their net revenues of each year and ICTA share at 0,35% of revenues to the Ministry of Transport, Maritime Affairs and Communications under the law Global Service Act numbered 5369.

As of 31 December 2017, unpaid portion of Treasury Share, universal service fund and ICTA share are recorded under other short term payables and these expenses are accounted in cost of sales account.

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

#### *Guarantees provided to related parties:*

As of 31 December 2017, guarantees amounting to USD 131.429 and EUR 128.651 are for financial liabilities of Avea which are amounting to USD 230.000 and EUR 191.200, and guarantees amounting to USD 50.000 is given for financial liabilities of TTINT Turkey, amounting to USD 50.000 and guarantees amounting to EUR 300 is given for financial liabilities of TTINT Romania, amounting to EUR 300 by Türk Telekom.

#### *Transactions with other related parties:*

The Company is rendering and receiving international traffic carriage services, data line rent services to and from STC and sharing advertisement expenses with STC. For the period ended 31 December 2017, total revenues and expenses incurred in relation to these services amounted to TL 9.968 and TL 1.732, respectively (31 December 2016: TL 20.867 revenue and TL 1.288 expenses).

#### *Compensation of key management personnel*

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

	1 January - 31 December 2017	1 January - 31 December 2016
Short-term benefits	127.307	178.799
Long-term defined benefit plans	2.667	2.605
	<b>129.974</b>	<b>181.404</b>

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## 9. OTHER RECEIVABLES AND PAYABLES

### Other short term receivable

	31 December 2017	31 December 2016
Other short term receivable	55.044	51.689
Deposits and guarantees given	2.850	1.244
Other doubtful receivables	24.186	23.840
Allowance for other doubtful receivables	(24.186)	(23.840)
	<b>57.894</b>	<b>52.933</b>

As of 31 December 2017, TL 37.983 (31 December 2016: TL 31.262) portion of other short term receivables consists of receivables from Ministry of Transport and Communications due to the expenses made under Universal Service Fund.

As of 31 December 2017, other doubtful provision amounting to TL 740 (31 December 2016: TL 1.245) is provided while TL 395 (31 December 2016: TL 366) is reversed.

### Other long term receivables

	31 December 2017	31 December 2016
Deposits and guarantees given	33.837	33.821
Other receivables	-	64
	<b>33.837</b>	<b>33.885</b>

### Other short term payable

	31 December 2017	31 December 2016
Taxes and duties payable	270.653	193.961
ICTA shares	97.540	86.180
Treasury share accruals	104.466	93.350
Universal Service Fund <sup>(1)</sup>	142.165	134.699
Other payables	229.768	231.730
	<b>844.592</b>	<b>739.920</b>

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

### Other long term payables

	31 December 2017	31 December 2016
Other payables	340.558	481.772
Deposits and guarantees received	34.675	12.404
	<b>375.233</b>	<b>494.176</b>

As of 31 December 2017, other payables in other long term payables and other payables amounting to TL 204.861 in other short term payables is related to discounted payable as a result of share transfer agreement in order to purchase 10,0035% share of Avea's issued capital.

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#### **10. INVENTORIES**

The Group has inventory amounting to TL 203.978 as at 31 December 2017 (31 December 2016: TL 261.263). Major part of this balance is composed of modems, computer, tablet, dect phones, cable, cable box, SIM cards, contents and consumables such as linkage block.

#### **11. DEFERRED TAX ASSETS AND LIABILITIES**

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

The Group perpetually reassesses unrecognized deferred tax assets and decided to account for deferred tax assets (resulting from Avea, TTnet and TTINT) arising from the tax losses carried forward based on the estimated taxable profits according to the business plan.

As of 31 December 2017, TTI's unrecognized deductible tax losses that will be utilized upon the existence of a tax base and the expiration dates are as follows:

<b>Expiration years</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
2018	1.737	1.427
2019	5.473	4.496
2020	3.040	2.498
2021	3.237	2.660
2022	4.486	2.437
2023	2.700	2.218
2024	2.974	-
Indefinite	384.761	307.756
	<b>408.408</b>	<b>323.492</b>

As of 31 December 2017, deferred tax assets arising from prior year tax losses of TTINT Group is amounting to TL 19.673 (31 December 2016: TL 16.001).

As of 31 December 2017, Avea's unrecognized deductible tax losses that will be utilized upon the existence of a tax base and the expiration dates are as follows:

<b>Expiration years</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
2017	-	686.460
2018	309.914	309.914
2019	667.993	667.993
2020	838.843	838.843
2021	1.436.534	1.436.534
2022	1.224.656	-
	<b>4.477.940</b>	<b>3.939.744</b>

As of 31 December 2017, the deferred tax asset recognized for Avea's carried forward tax losses amounted to TL 527.120 (31 December 2016: TL 244.472).

As of 31 December 2017, as explained Note 33, Avea has investment allowances amounting to TL 91.637 for which deferred tax asset is not recognized (31 December 2016: TL 79.461).

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### **11. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)**

In the Official Gazette on 7 April 2015, clause 10 of the Corporate Tax Law is amended with the clause 8 of the law numbered 6637 and with the amendment, it is stated that share capital companies excluding companies operating in finance, banking and insurance sectors and state economic enterprises will be able to deduct 50% of the interest to be calculated over cash capital increase amounts which are registered in Turkish Trade Registry or the interest calculated over the cash capital contributions of the newly established corporations, from their taxable income. The interest amount will be calculated by using the latest “annual weighted average interest rate applied over the “TL denominated commercial loans granted by banks” to be announced by Turkish Central Bank. Such interest calculation will be made for the period from the capital increase to the last day of the financial year and the allowance from tax base will be applicable for each following period. Share capital of Avea is increased by TL 1.000.000 in 2016 and by TL 2.000.000 in 2015 and the company has deductible amounts from the corporate taxes with respect to the capital increase and can be carried format infinitely. As of 31 December 2017 the deferred tax asset recognized over the discount amounted to TL 75.684 (31 December 2016: 38.950)

As of 31 December 2017, TTnet’s unrecognized deductible tax losses that will be utilized upon the existence of a tax base and the expiration dates are as follows:

<b>Expiration years (*)</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
2021	86.641	86.641
2022	52.855	-
	<b>139.496</b>	<b>86.641</b>

As of 31 December 2017, the deferred tax asset recognized for TTnet’s carried forward tax losses amounted to TL 30.689 (31 December 2016: TL 14.823).

**11. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)**

As at 31 December 2017, 20% and 22% tax rate is used for the calculation of deferred tax assets and liabilities for companies established in Turkey depending on the estimation of on which years temporary differences will reverse (31 December 2016: 20%).

	31 December 2017						
	Net balance at 1 January 2017	Recognised in profit or loss	Recognised in OCI	Effect of movements in exchange rates	Net balance	Deferred tax asset	Deferred tax liability
<b>Deferred tax asset / (liability)</b>							
Deferred tax asset recognized from tax losses carried forward	275.356	302.126	--	--	577.482	577.482	--
Deferred tax asset arising from capital increase	38.950	36.734	--	--	75.684	75.684	--
Provision for long-term employee benefits	134.664	(4.716)	7.824	--	137.772	137.772	--
Other short and long term provisions	(9.292)	73.301	--	--	64.009	65.787	(1.778)
Universal service fund and other contributions	23.208	(47.298)	--	--	(24.090)	--	(24.090)
Provision for unused vacation	14.941	3.494	--	--	18.435	18.435	--
Provision for doubtful receivables	(12.484)	33.752	--	--	21.268	29.340	(8.072)
Other	38.818	(82.911)	--	--	(44.093)	29.436	(73.529)
Derivative instruments	(51.210)	(3.932)	(6.313)	--	(61.455)	--	(61.455)
Income accruals	(26.343)	(996)	--	--	(27.339)	3.712	(31.051)
Temporary differences on property, plant and equipment / intangible assets	(366.423)	44.443	--	(526)	(322.506)	32.978	(355.484)
<b>Deferred tax asset / (liability) before net-off</b>	<b>60.185</b>	<b>353.997</b>	<b>1.511</b>	<b>(526)</b>	<b>415.167</b>	<b>970.626</b>	<b>(555.459)</b>
<b>Net-off of tax</b>						<b>(309.919)</b>	<b>309.919</b>
<b>Net deferred tax asset / (liability)</b>					<b>415.167</b>	<b>660.707</b>	<b>(245.540)</b>

As of 31 December 2017, the total amount of current or deferred taxes related to transactions recognized directly in equity is TL 162.179 (31 December 2016: TL 181.402).

As of 31 December 2017, the total amount of the Group's unrecognised deferred tax asset related to subsidiaries is TL 1,242.388 (31 December 2016: TL 1,184.107).

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#### 11. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

	31 December 2016						
	Net balance at 1 January 2016	Recognized in profit or loss	Recognized in OCI	Effect of movements in exchange rates	Net balance	Deferred tax asset	Deferred tax liability
<b>Deferred tax asset / liability</b>							
Deferred tax asset recognized from tax losses carried forward	276.890	(1.534)	-	-	275.356	275.356	-
Deferred tax asset arising from capital increase	-	38.950	-	-	38.950	38.950	-
Provision for long-term employee benefits	124.959	(5.050)	14.755	-	134.664	134.664	-
Other short term provisions	74.674	(83.966)	-	-	(9.292)	-	(9.292)
Universal service fund and other contributions	31.828	(8.620)	-	-	23.208	23.208	-
Provision for unused vacation	14.958	(17)	-	-	14.941	14.941	-
Lawsuit fees recognized as receivables	(3.027)	3.027	-	-	-	-	-
Provision for doubtful receivables	(5.649)	(6.835)	-	-	(12.484)	4.411	(16.895)
Other	(6.901)	45.719	-	-	38.818	68.020	(29.202)
Derivative instruments	(33.637)	(16.201)	(1.372)	-	(51.210)	-	(51.210)
Income accruals	(33.938)	7.595	-	-	(26.343)	3.329	(29.672)
Temporary differences on property, plant and equipment / intangible assets	(471.055)	104.937	-	(305)	(366.423)	11.858	(378.281)
<b>Deferred tax asset / (liability) before net-off</b>	<b>(30.898)</b>	<b>78.005</b>	<b>13.383</b>	<b>(305)</b>	<b>60.185</b>	<b>574.737</b>	<b>(514.552)</b>
<b>Net-off</b>						<b>(258.524)</b>	<b>258.524</b>
<b>Deferred tax asset / (liability)</b>					<b>60.185</b>	<b>316.213</b>	<b>(256.028)</b>

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

#### *Other current assets*

	31 December 2017	31 December 2016
Intermediary services for collection <sup>(*)</sup>	158.437	165.417
Value Added Tax ("VAT") and Special Communication Tax ("SCT") <sup>(**)</sup>	156.415	314.864
TAFICS projects	25.701	46.006
Advances given <sup>(***)</sup>	62.074	33.743
Other current assets	12.861	3.032
	<b>415.488</b>	<b>563.062</b>

<sup>(\*)</sup> Intermediary services for collections consist of advances given by the Group to its distributors.

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

<sup>(\*\*\*)</sup> Advances given mainly consists of advances given to suppliers.

	31 December 2017	31 December 2016
Intermediary services for collection	36.232	28.086
Other non-current assets	11	1
	<b>36.243</b>	<b>28.087</b>

#### *Other current liabilities*

	31 December 2017	31 December 2016
Advances received	23.911	34.760
Other liabilities	22.416	12.378
	<b>46.327</b>	<b>47.138</b>

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

#### *Employee benefit obligations*

	31 December 2017	31 December 2016
Social security premiums payable	71.851	68.879
Payables to personnel	58.360	88.774
Employee's income tax payables	45.501	45.580
	<b>175.712</b>	<b>203.233</b>

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### **13. PREPAID EXPENSES AND DEFERRED REVENUES**

#### *Short-term prepaid expenses*

	31 December 2017	31 December 2016
Prepaid rent expenses	203.766	186.589
Other prepaid expenses	139.566	137.778
	<b>343.332</b>	<b>324.367</b>

Other short term prepaid expenses consist of prepaid insurance, prepaid commissions, prepaid advertising and other prepaid expenses.

#### *Long-term prepaid expenses*

	31 December 2017	31 December 2016
Prepaid rent expenses	45.056	42.498
Other prepaid expenses	23.879	16.227
	<b>68.935</b>	<b>58.725</b>

#### *Short-term deferred revenues*

	31 December 2017	31 December 2016
Deferred revenues <sup>(*)</sup>	139.409	86.174
Advances received <sup>(**)</sup>	87.455	74.655
	<b>226.864</b>	<b>160.829</b>

<sup>(\*)</sup> Deferred revenues mainly consists of the invoiced but unconsumed minutes' sales value and TTINT's indefeasible right of use contracts.

<sup>(\*\*)</sup> Advances taken mainly result from the advances taken by the Company from the customers.

#### *Long-term deferred revenues*

	31 December 2017	31 December 2016
Deferred revenues <sup>(*)</sup>	268.699	215.985
Advances received <sup>(**)</sup>	98.502	89.215
	<b>367.201</b>	<b>305.200</b>

<sup>(\*)</sup> Deferred revenues mainly result from TTINT's indefeasible right of use contracts.

<sup>(\*\*)</sup> Advances taken mainly result from the advances taken by TTINT's according for indefeasible right of use contracts.

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#### 14. FINANCIAL INVESTMENTS

	31 December 2017	31 December 2016
Cetel	11.840	11.840
	<b>11.840</b>	<b>11.840</b>

Cetel was incorporated as a special purpose entity for the purpose of acquiring the 76% shares of Albtecom Sh.A which is located Albania and operates in telecommunication industry.

As of 31 December 2017 and 2016, the Company carries Cetel at cost after deducting impairment losses, if any, because of the lack of timely financial information for equity accounting purposes and due to lack of significant influence.

#### 15. DERIVATIVE FINANCIAL INSTRUMENTS

##### Cash flow hedges and derivative financial instruments

##### Interest rate swaps

As of 31 December 2017, fair value of interest rate derivative transactions amounting to TL 117.389 has been recognized under long term financial liabilities (31 December 2016: TL 152.408). Unrealized gain on these derivatives amounting to TL 31.566 (31 December 2016: TL 6.861 gain) is recognized in other comprehensive income. Unrealized gain on these derivatives' time value amounting to TL 3.453 (31 December 2016: TL 1.642 gain) is recognized in statement of profit or loss.

Company	Notional Amount (USD Dollar)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 December 2017 (TL)
Türk Telekom	400.000	11 April 2012 – 30 April 2012	Pay fixed rates and receive floating rates between March 2014 and March 2022	(19.527)
Türk Telekom	200.000	8 April 2013 – 17 April 2013	Pay fixed rates and receive floating rates between 19 August 2015 and 21 August 2023	(8.467)
Türk Telekom	300.000	29 April – 20 May 2014	Pay fixed rates and receive floating rates between June 2016 and June 2024	(80.975)
Türk Telekom	150.000	15 May 2014 –16 May 2014	Pay fixed rates and receive rates between June 2016 and August 2016, and June 2024 and August 2024	(8.420)
				<b>(117.389)</b>

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

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#### 15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

*Interest rate derivative instruments which are not designated as hedge*

As of 31 December 2017 fair value of the interest rate swap transactions which are not designated as hedge and amounting to TL 59.006 is recognized under long term financial assets (31 December 2016: TL 51.397 assets). Unrealized gain on these derivatives amounting to TL 7.609 (31 December 2016: TL 6.395 gain) is recognized in profit or loss.

Company	Notional Amount (USD Dollar)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 December 2017 (TL)
Türk Telekom	400.000	11 April 2012 – 30 April 2012	Pay the difference between floating rate and 6% if floating rate exceeds 6%, between 19 March 2014 and 21 March 2022, and receive fixed premium (0,24%-0,27%)	16.873
Türk Telekom	200.000	8 April 2013 – 17 April 2013	Pay the difference between floating rate and 6% if floating rate exceeds 6%, between 21 August 2015 and 21 August 2023, and receive fixed premium (0,24%-0,27%)	10.454
Türk Telekom	300.000	29 April – 20 May 2014	Pay the difference between floating rate and 4% if floating rate exceeds 4%, between June 2016 and June 2021, and receive fixed premium (0,44%-0,575%) Pay the difference between floating rate and 6% if floating rate exceeds 6%, between June 2021 and June 2024, and receive fixed premium (0,39%-0,45%)	31.679
				<b>59.006</b>

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

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#### 15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

As of 31 December 2017, fair value of derivative transactions amounting to TL 557.712 (31 December 2016: TL 601.401) is recognized under short term financial assets. Unrealized loss of these derivatives amounting to TL 43.689 (31 December 2016: TL 212.634 gain) is recognized in profit or loss.

As of 31 December 2017, fair value of derivative transactions amounting to TL 151.236 (31 December 2016: TL 49.157) is recognized under short term financial liabilities. Unrealized loss of these derivatives amounting to TL 102.079 (31 December 2016: TL 49.157 loss) is recognized in profit or loss.

Company	Notional Amount (USD Dollar)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 December 2017 (TL)
Türk Telekom	500.000	21 April 2015 - 9 July 2015	Pay TL and receive USD between June 2015 and June 2019	485.887
Türk Telekom	100.000	14 September 2017 - 26 September 2017	Pay TL and receive USD between September 2015 and June 2024	13.359
Türk Telekom	350.000	31 March 2016 - 13 April 2016	Pay TL and receive USD between June 2016 and June 2024	58.466
				<b>557.712</b>

Türk Telekom	175.000	30 April 2015	Pay EUR and receive USD between June 2015 and June 2024	(63.643)
Türk Telekom	380.000	10 March 2016 - 17 March 2016	Pay EUR and receive USD between June 2016 and November 2020	(73.404)
Türk Telekom	50.000	14 December 2017	Pay TL and receive USD between December 2017 and June 2024	(1.413)
TTINT Türkiye	50.000	16 June 2016	Pay EUR and receive USD between December 2016 and June 2026	(12.776)
				<b>(151.236)</b>

Company	Notional Amount (USD)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 December 2016 (TL)
Türk Telekom	175.000	30 April 2015	Pay EUR and receive USD between June 2015 and June 2024	28.196
Türk Telekom	500.000	21 April 2015 - 9 July 2015	Pay TL and receive USD between June 2015 and June 2019	410.946
Türk Telekom	380.000	10 March 2016 - 17 March 2016	Pay EUR and receive USD between June 2016 and November 2020	121.448
Türk Telekom	350.000	31 March 2016 - 13 April 2016	Pay TL and receive USD between June 2016 and June 2024	30.033
TTINT Türkiye	50.000	16 June 2016	Pay EUR and receive USD between December 2016 and June 2026	10.778
				<b>601.401</b>

Türk Telekom	250.000	9 November 2016 - 18 November 2016	Pay USD and receive TL at maturity date	(49.157)
				<b>(49.157)</b>

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### **15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

*Options which are not designated as hedge (continued)*

As of 31 December 2017, fair value of derivative transactions amounting to TL 40.816 (31 December 2016: TL 184.403) is recognized under short term financial liabilities. Unrealized gain on these derivatives amounting to TL 143.587 (31 December 2016: TL 79.730 loss) is recognized in profit or loss.

<b>Company</b>	<b>Notional Amount (EUR)</b>	<b>Trade Date</b>	<b>Terms and Maturity Date</b>	<b>Fair Value Amount as at 31 December 2017 (TL)</b>
Türk Telekom	490.196	6 January 2015- 18 June 2015	Foreign exchange option transactions with maturities between June 2015 and June 2024	(37.129)
Türk Telekom	338.235	10 March 2016- 17 March 2016	Foreign exchange option transactions with maturities between November 2018 and November 2020	(3.687)
				<b>(40.816)</b>

<b>Company</b>	<b>Notional Amount (EUR)</b>	<b>Trade Date</b>	<b>Terms and Maturity Date</b>	<b>Fair Value Amount as at 31 December 2016 (TL)</b>
Türk Telekom	897.725	6 January 2015- 18 June 2015	Foreign exchange option transactions with maturities between June 2015 and June 2024	(138.915)
Türk Telekom	338.235	10 March 2016- 17 March 2016	Foreign exchange option transactions with maturities between November 2018 and November 2020	(45.488)
				<b>(184.403)</b>

#### **Hedge of net investment in a foreign operation**

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

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## **16. GOODWILL**

	<b>31 December 2017</b>	<b>31 December 2016</b>
Goodwill of Avea	29.694	29.694
Goodwill of Innova	7.308	7.308
Goodwill of Argela	7.942	7.942
	<b>44.944</b>	<b>44.944</b>

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

#### *Türk Telekom and TTNET cash generating unit impairment analysis*

For cash generating unit impairment analysis of Türk Telekom and TTNET, total assets and liabilities are considered as one cash generating unit. Recoverable amount is calculated through 5 years business plan which is approved by the management.

Discount rate used for the discount of cash flows for the periods that corporate tax would be paid at 22% is 14,39% and 14,48% for other periods (31 December 2016: 15,6%), 5% expected growth rate and the weighted average cost of capital (WACC) sensitivity as of +0,5% / -0,5% (31 December 2016: +0,5% / -0,5%). Cash flow projections after 2022, TL cash flow estimations are not projected with consideration of inflation rate of business plan and expected growth rate of the country. As a result of test, no impairment is identified for the cash generating unit.

#### *Avea cash generating unit impairment test*

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

Discount rate used for the discount of cash flows for the periods that corporate tax would be paid at 22% is 15,27% and 15,36% for other periods (31 December 2016: 16,9%). Cash flow projections after 2022 are estimated by using 7,5% growth rate, considering the inflation rate used in the business plan and expected growth rate of Avea. Company value of Avea has been tested at a sensitivity of WACC terminal growth rate by +0,5%/-0,5% (31 December 2016: 0,5%/-0,5%). As a result of the impairment test, it has been noted that there is no impairment is identified on goodwill arising on the Avea acquisition.

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### **16. GOODWILL (CONTINUED)**

#### *Innova and Argela cash generating unit impairment test*

Innova and Argela, are both considered as single cash generating unit and are tested for impairment of for goodwill and all of their other assets. Recoverable amount was determined through the usage value which is calculated based on the 5 years business plan approved by the management. The estimated value of the projected cash flows consists of the discounted cash flows until 2022. Cash flow projections beyond 2022 are estimated by using 5% growth rate, for both Innova and Argela, respectively, considering the inflation rate used in the business plan and expected growth rate of the country. The discount ratio used in valuation are 17,74% for Innova and 20,40% for Argela for the periods that corporate tax would be paid at 22% and 17,77% for Innova (31 December 2016: 17,1%) and 20,42% for Argela (31 December 2016:20,7%) for other periods. Valuation has been tested at a sensitivity of +0,5%/-0,5%. Growth rate has been tested for sensitivity for +0,5%/-0,5%. For the WACC calculation, technology companies have been taken as a benchmark for the calculation of the beta coefficient. As a result of the impairment test, no impairment is identified for the cash generating units and the goodwill arising from the acquisition of Argela and Innova.

#### *TTINT cash generating unit impairment test*

TTINT cash generating unit recoverable amount is determined over the usage value which had been calculated based on the seven years business plan approved by the management. The estimated value of the projected cash flows consists of the discounted cash flows until 2024. The valuation work has been carried out based on a seven-year business plan so that the Company's long-term cash generating capacity can be measured more accurately. The WACC rate used in valuation is 7% (31 December 2016: 7,2%) and valuation is tested at a sensitivity of +0,5%/-0,5%. In addition to this, gross profit margin rate is tested for sensitivity by +1%/-1% and capex/net sales ratio and growth rate is tested for sensitivity by +0,5%/-0,5%. For the WACC calculation, telecommunication companies are considered as a benchmark for the calculation of the beta coefficient. As a result of test, no impairment is identified for the cash generating unit.

#### *Sebit cash generating unit impairment test*

In cash generating unit impairment analysis for Sebit, total assets and liabilities were considered as one cash generating unit. Recoverable amount was determined through the usage value which had been calculated based on the five years business plan approved by the management. The discount ratio used for the cash flows for the periods that corporate tax would be paid at 22% is 21,88% and 21,93% for other periods (31 December 2016: 20,6%). The estimated value of the cash flows consists of the ones which were discounted until 2022. The growth rate for the current and subsequent terms was foreseen as 5% by considering the inflation rate stated in cash flow estimations business plan and the estimated growth rate of the country. Cash generating unit value was tested with +0,5%/-0,5% WACC and growth rate sensitivity of the cash flows (31 December 2016: +0,5%/-0,5%). As a result of test, no impairment is identified for the cash generating unit).

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### **17. ASSETS HELD FOR SALE**

Based on the decision of Board of Directors to sell a real estate, this asset was classified as held for sale.

The movement of asset held for sale for the years ended 31 December 2017 and 2016 is given below:

	1 January 2017 - 31 December 2017	1 January 2016 - 31 December 2016
Opening balance	37.361	-
Disposal	-	-
Transfer	-	37.361
<b>As at 31 December</b>	<b>37.361</b>	<b>37.361</b>

### **18. INVESTMENT PROPERTY**

The movement of investment property and the related accumulated depreciation for the years ended 31 December 2017 and 2016 is given below:

	1 January 2017 - 31 December 2017	1 January 2016 - 31 December 2016
<b>Cost</b>		
Opening balance	43.012	43.854
Transfer	-	(842)
<b>As at 31 December</b>	<b>43.012</b>	<b>43.012</b>
<b>Accumulated depreciation</b>		
Opening	18.453	16.665
Transfer	(5)	(398)
Depreciation charge for the year	2.188	2.186
<b>As at 31 December</b>	<b>20.636</b>	<b>18.453</b>
<b>Net book value as at 31 December</b>	<b>22.376</b>	<b>24.559</b>

Investment property consists of number of buildings and lands mainly occupied by various corporations. The Group assesses whether there is any impairment indicator in investment properties. If such indicator exists the Group compares fair values and carrying values of the investment properties on an individual asset basis and records identified impairment of the investment properties.

The Group's investment properties consist of number of buildings and lands. In accordance with balance between cost and benefit principle the fair values of all investment properties are not determined in each year, instead selected investment properties' fair values have been determined. In this context, fair values of the investment properties as of the balance sheet date are not presented.

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#### 19. PROPERTY, PLANT AND EQUIPMENT

The movement of PPE and the related accumulated depreciation for the years ended 31 December 2017 and 2016 is given below:

	Land and buildings	Network and other equipment	Vehicles	Furnitures and fixtures	Other fixed assets	Construction in progress	Total
<b>Cost</b>							
Opening balance, 1 January 2017	2.266.196	37.864.996	141.732	796.945	240.249	744.590	42.054.708
Transfer	21.207	653.038	756	13.122	340	(947.556)	(259.093)
Additions	25.719	917.331	476	17.845	6.175	1.140.566	2.108.112
Disposal	(8.967)	(898.862)	(15.699)	(7.991)	(1.209)	(319)	(933.047)
Foreign currency translation differences	4.017	203.596	766	1.571	343	13.084	223.377
<b>Closing balance, 31 December 2017</b>	<b>2.308.172</b>	<b>38.740.099</b>	<b>128.031</b>	<b>821.492</b>	<b>245.898</b>	<b>950.365</b>	<b>43.194.057</b>
<b>Accumulated depreciation</b>							
Opening balance, 1 January 2017	1.178.944	31.181.593	134.139	622.603	202.478	-	33.319.757
Transfers	10.806	(8.716)	-	80	-	-	2.170
Depreciation charge for the year	114.601	1.310.147	2.692	55.581	10.933	-	1.493.954
Disposal	(2.888)	(882.442)	(15.699)	(6.342)	(700)	-	(908.071)
Impairment	26.210	50.687	-	-	-	-	76.897
Foreign currency translation differences	1.154	91.557	89	835	195	-	93.830
<b>Closing balance, 31 December 2017</b>	<b>1.328.827</b>	<b>31.742.826</b>	<b>121.221</b>	<b>672.757</b>	<b>212.906</b>	<b>-</b>	<b>34.078.537</b>
<b>Net book value, 31 December 2017</b>	<b>979.345</b>	<b>6.997.273</b>	<b>6.810</b>	<b>148.735</b>	<b>32.992</b>	<b>950.365</b>	<b>9.115.520</b>

As of 31 December 2017, net book value of leased assets of Group composes of land and buildings amounting TL 29.752 (31 December 2016: land and buildings amounting to TL 29.580).

The Group does not have any capitalized borrowing cost on property, plant and equipment (31 December 2016: nil). There is no restriction or pledge on the intangible as at 31 December 2017.

For the year ended 31 December 2017, impairment on property, plant and equipment amounting to TL 50.745 is recognized in cost of sales ( 2016: TL 23.213), and TL 26.152 is recognized in general administrative expenses (2016: TL 6.168).

**19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	Land and buildings	Network and other equipment	Vehicles	Furnitures and fixtures	Other fixed assets	Construction in progress	Total
<b>Cost</b>							
Opening balance, 1 January 2016	2.226.837	38.383.631	149.049	750.920	225.256	936.143	42.671.836
Transfer	(16.874)	144.207	1.082	5.042	38	(334.290)	(200.795)
Additions	65.560	1.560.389	1.897	68.088	18.311	149.175	1.863.420
Disposal	(11.832)	(2.334.605)	(10.626)	(27.692)	(3.670)	-	(2.388.425)
Foreign currency translation difference	2.505	111.374	330	587	314	(6.438)	108.672
<b>Closing balance, 31 December 2016</b>	<b>2.266.196</b>	<b>37.864.996</b>	<b>141.732</b>	<b>796.945</b>	<b>240.249</b>	<b>744.590</b>	<b>42.054.708</b>
<b>Accumulated depreciation</b>							
Opening balance, 1 January 2016	1.119.019	32.109.127	136.940	580.306	188.262	-	34.133.654
Transfer	(18.801)	(595)	-	15	(218)	-	(19.599)
Depreciation charge for the year	81.074	1.332.239	7.693	63.404	10.310	-	1.494.720
Disposal	(2.900)	(2.325.670)	(10.527)	(21.670)	(2.807)	-	(2.363.574)
Impairment	-	22.716	-	253	6.412	-	29.381
Foreign currency translation difference	552	43.776	33	295	519	-	45.175
<b>Closing balance, 31 December 2016</b>	<b>1.178.944</b>	<b>31.181.593</b>	<b>134.139</b>	<b>622.603</b>	<b>202.478</b>	<b>-</b>	<b>33.319.757</b>
<b>Net book value, 31 December 2016</b>	<b>1.087.252</b>	<b>6.683.403</b>	<b>7.593</b>	<b>174.342</b>	<b>37.771</b>	<b>744.590</b>	<b>8.734.951</b>

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#### 20. INTANGIBLE ASSETS

	Customer		Research and		Other		Total
	Licence relationship	Brand	Development	intangible assets	Concession rights		
<b>Cost</b>							
Opening balance, 1 January 2017	4.544.999	1.050.543	331.052	4.991.503	3.207.180		14.428.193
Transfers	1.517	-	11.999	224.784	(18.215)		220.085
Disposals	-	-	-	(90.194)	(54.307)		(144.501)
Additions (*)	-	-	31.210	458.228	704.315		1.193.753
Foreign currency translation differences	694	36.406	212	119.827	-		157.139
<b>Closing balance, 31 December 2017</b>	<b>4.547.210</b>	<b>1.086.949</b>	<b>374.473</b>	<b>5.704.148</b>	<b>3.838.973</b>		<b>15.854.669</b>
<b>Accumulated amortization</b>							
Opening balance, 1 January 2017	934.279	952.777	176.337	3.041.259	801.463		6.086.921
Transfers	-	-	-	(572)	(40.601)		(41.173)
Disposals	-	-	-	(88.851)	(54.307)		(143.158)
Amortization charge for the year	307.426	11.702	47.713	769.443	242.048		1.418.961
Impairment	-	-	(2.640)	2.892	35.639		35.891
Foreign currency translation differences	202	16.312	260	42.917	-		59.691
<b>Closing balance, 31 December 2017</b>	<b>1.241.907</b>	<b>980.791</b>	<b>221.670</b>	<b>3.767.088</b>	<b>984.242</b>		<b>7.417.133</b>
<b>Net book value, 31 December 2017</b>	<b>3.305.303</b>	<b>106.158</b>	<b>152.803</b>	<b>1.937.060</b>	<b>2.854.731</b>		<b>8.437.536</b>

(\*) Additions amounting to TL 704.315 (31 December 2016: TL 412.516) comprise intangible assets under scope of TFRS Interpretation 12.

The Group have capitalized borrowing cost on intangible assets amounted TL 2.891 (31 December 2016: 12.114).

For the year ended 31 December 2017, impairment on intangible assets amounting to TL 32.999 is recognized in cost of sales, TL 2.892 is recognized in general administrative expense (31 December 2016: cost of sales TL 22.837).

For the year ended 31 December 2017, depreciation and amortization expense is recognized cost of sales, sales and distribution expenses, general administration expenses and research and development expenses amounting to TL 2.180.672 (2016: TL 2.182.242), TL 337.680 (2016: TL 258.792) and TL 369.572 (2016: TL 339.356), TL 18.520 (2016: 15.953), respectively.

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#### 20. INTANGIBLE ASSETS (CONTINUED)

Cost	Licence	Customer relationship	Brand	Research and Development	Other intangible assets	Concession rights	Total
Opening balance, 1 January 2016	4.537.300	1.029.602	302.916	286.735	3.997.580	2.819.130	12.973.263
Transfers	-	-	-	11.603	181.417	-	193.020
Disposals	(189)	-	-	-	(8.156)	(24.466)	(32.811)
Additions (*)	7.658	-	-	32.199	758.412	412.516	1.210.785
Foreign currency translation differences	230	20.941	-	515	62.250	-	83.936
<b>Closing balance, 31 December 2016</b>	<b>4.544.999</b>	<b>1.050.543</b>	<b>302.916</b>	<b>331.052</b>	<b>4.991.503</b>	<b>3.207.180</b>	<b>14.428.193</b>
<b>Accumulated amortization</b>							
Opening balance, 1 January 2016	653.713	862.076	145.175	125.748	2.355.935	613.730	4.756.377
Transfers	-	-	-	(25)	(268)	-	(293)
Disposals	(189)	-	-	-	(6.339)	(24.466)	(30.994)
Amortization charge for the year	280.726	81.737	35.631	50.100	668.011	189.362	1.305.567
Impairment	-	-	-	-	-	22.837	22.837
Foreign currency translation differences	29	8.964	-	514	23.920	-	33.427
<b>Closing balance, 31 December 2016</b>	<b>934.279</b>	<b>952.777</b>	<b>180.806</b>	<b>176.337</b>	<b>3.041.259</b>	<b>801.463</b>	<b>6.086.921</b>
<b>Net book value, 31 December 2016</b>	<b>3.610.720</b>	<b>97.766</b>	<b>122.110</b>	<b>154.715</b>	<b>1.950.244</b>	<b>2.405.717</b>	<b>8.341.272</b>

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### **20. INTANGIBLE ASSETS (CONTINUED)**

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

Avea license	11,4 years
Avea brand name	2 years
TTINT customer relationships	7,8 years
TTINT other	12,8 years

On 26 January 2016, Avea and TNet brand names are re-branded as “Türk Telekom” based on the decision of Group management. Following the change, useful life of Avea brand, which was 10,1 years, is now estimated as 4 years. The effect of this change on expected amortization expense, included in cost of sales, is as follows:

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Later</b>
Increase /(decrease) in amortization expense	24.972	24.972	24.972	(94.940)

There is no restriction or pledge on the intangible as at 31 December 2017 (31 December 2016:nil).

#### *3G license tender*

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

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

The net book value of the 3G license as at 31 December 2017 is TL 272.792 (31 December 2016: TL 296.515).

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## **20. INTANGIBLE ASSETS (CONTINUED)**

### *GSM 900 additional frequency band tender*

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

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

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

The net book value of the GSM 900 license as at 31 December 2017 is TL 5.719 (31 December 2016: TL 6.426)

### *4.5G license tender*

Tender of IMT Services and Infrastructures Authorization, also known as 4.5G tender in public has been held in Ankara on August 26, 2015 by ICTA. In the IMT Service and Infrastructure Authorization Tender done by ICTA, Avea has won the following packages: 2x10 MHz bandwidth in 800 MHz frequency for Euro 380.000, 2x7.6 MHz bandwidth in 900 MHz frequency for Euro 216.819, 2x20 MHz bandwidth in 1800 MHz frequency for Euro 310.000, 2x10 MHz bandwidth in 2600 MHz frequency for Euro 25.859, 1x15 MHz bandwidth in 2600 MHz frequency for Euro 22.000. Total spectrum fee is Euro 954.678. IMT Authorization period is valid until 30 April 2029 and commenced to be rendered services since 1 April 2016. 900 MHz and services in 1.800 MHz frequency are commenced to be rendered since 1 December 2015.

As at 31 December 2017, the Company has paid out the tender fee amounting to Euro 973.396 (excluding VAT).

As of 31 December 2017 net book value of 4.5G license amounts to TL 2.618.804 (31 December 2016: TL 2.849.875) in the consolidated financial statements.

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### **21. PROVISIONS**

#### *Other short-term provisions*

The breakdown of provisions as at 31 December 2017 and 2016 is as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Litigation, ICTA penalty and customer return provisions	433.238	264.200
	<b>433.238</b>	<b>264.200</b>

The movement of provisions is as follows:

	<b>1 January - 31 December 2017</b>	<b>1 January - 31 December 2016</b>
As at 1 January	264.200	296.674
Provisions for the period	237.225	192.452
Settled provisions	(68.166)	(146.011)
Reversals	(520)	(79.632)
Foreign currency translation difference	499	717
<b>As at 31 December</b>	<b>433.238</b>	<b>264.200</b>

#### *Short-term provisions for employee benefits*

	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Short term provisions for employee benefits</b>		
Personnel bonus provision	162.906	165.862
	<b>162.906</b>	<b>165.862</b>

The movement of provisions is as follows:

	<b>1 January - 31 December 2017</b>	<b>1 January - 31 December 2016</b>
<b>As at 1 January</b>	<b>165.862</b>	<b>178.822</b>
Provision for the period	245.760	167.369
Provisions paid	(201.561)	(169.906)
Reversals	(46.405)	(11.020)
Foreign currency translation difference	(750)	597
<b>As at 31 December</b>	<b>162.906</b>	<b>165.862</b>

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## 21. PROVISIONS (CONTINUED)

*Long term employee benefits excluding defined benefit obligation*

	31 December 2017	31 December 2016
<b>Long term provisions for employee benefits</b>		
Defined benefit obligation	711.040	695.953
Unused vacation provisions	102.353	87.448
	<b>813.393</b>	<b>783.401</b>

### *Defined benefit obligation*

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 31 December 2017 is subject to a ceiling of full TL 4.732,48 (31 December 2016: full TL 4.297,21) per monthly salary for each service year.

In addition to retirement benefits, the Company was liable for certain other long-term employment benefits such as business, service, representation indemnity and jubilee.

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

The movement of provisions is as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Defined benefit obligation at January 1	695.953	635.366
Service cost	40.823	67.059
Interest cost	59.156	60.465
Actuarial loss <sup>(*)</sup>	40.417	74.360
Benefits paid	(125.713)	(141.290)
Foreign currency translation difference	404	(7)
<b>As at 31 December</b>	<b>711.040</b>	<b>695.953</b>

<sup>(\*)</sup> As at 31 December 2017, actuarial loss amounting to TL 40.417 (31 December 2016: TL 74.360) is recognized in other comprehensive income.

### *ii) Total expense recognized in the consolidated income statement:*

	1 January - 31 December 2017	1 January - 31 December 2016
Service cost	40.823	67.059
Interest cost	59.156	60.465
Total net cost recognized in the consolidated statement of income	99.979	127.524

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## 21. PROVISIONS (CONTINUED)

*Long term provisions for employee benefits (continued)*

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

For the years ahead, voluntary employee withdrawal of the Group is 2,57% (31 December 2016: 2,39%).

As of 31 December 2017, sensitivity analysis is performed for the significant assumptions of defined benefit obligation:

Sensitivity Level	Discount Rate		Salary Increase Rate		Employee Withdrawal Rate	
	%0,25 decrease (%9,05)	%0,25 increase (%9,55)	%0,25 decrease (%5,25)	%0,25 increase (%5,75)	%0,25 decrease	%0,25 increase
No effect to defined benefit obligation	9.553	(11.711)	(12.282)	9.945	(1.736)	1.500

*Long term employee benefits excluding defined benefit obligation*

The movement of unused vacation provisions is as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
<b>As at 1 January</b>	<b>87.448</b>	<b>79.677</b>
Provision for the period	55.603	57.479
Provisions paid	(10.525)	(8.576)
Reversals	(30.569)	(41.355)
Foreign currency translation difference	396	223
<b>As at 31 December</b>	<b>102.353</b>	<b>87.448</b>

*Other long-term provisions*

	31 December 2017	31 December 2016
Provision for the investments under the scope of TFRS Interpretation 12	8.035	7.887
	<b>8.035</b>	<b>7.887</b>

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### **22. PAID IN CAPITAL, RESERVES AND RETAINED EARNINGS**

As of 31 December 2017 and 2016, the shareholders of the Company with their shareholding percentage are as follows:

	31 December 2017		31 December 2016	
	%	TL	%	TL
The Treasury	25	875.000	30	1.050.000
OTAŞ	55	1.925.000	55	1.925.000
Public Share	15	525.000	15	525.000
Turkish Wealth Fund ("TWF") <sup>(1)</sup>	5	175.000	-	-
		<b>3.500.000</b>		<b>3.500.000</b>
Inflation adjustment to share capital		(239.752)		(239.752)
		<b>3.260.248</b>		<b>3.260.248</b>

<sup>(1)</sup> According to the Council of Ministers decision 6,68% (5% Group B, 1,68% Group D) of the shares of the Company belonging to the Undersecretariat of Treasury were transferred to the Turkish Wealth Fund with regards to Law on Establishment of Turkish Wealth Fund Management Incorporated and on Amending Certain Laws numbered 6741 and dated 19 August 2016.

The Company's share capital is fully paid and consists of 350.000.000.000 shares of 1 kuruş nominal value. OTAŞ is the holder of Group A shares and the Treasury is the holder of Group B and C Group D shares of the company are open to public and Group C share consists only of a single preferred stock.

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

As of 31 December 2017, Citicorp Trustee Company Limited has a pledge over 192.500.000.000 Group A shares belonging to OTAŞ which represent 55% of the total company shares on the name and behalf of the creditors of certain loan agreements.

The OTAŞ Term Loan agreement provides certain limitations with respect to dilution, sale and transfer of shares in OTAŞ, the Company and Avea.

Based on the articles of association of the Company, the board of the directors of the Company shall consist of 12 directors.

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

The board of directors shall be composed of 12 members nominated by the OTAŞ and Treasury as follows:

(a) The group A Shareholder shall be entitled to nominate 7 persons for election as directors;

(b) Provided that the Treasury as group B shareholder shall hold:

- 30% or more of the shares, the Treasury shall be entitled to nominate 4 persons for election as independent board members who carry the independence criteria as defined in the Capital Market legislation; or
- 15% or more of the shares (but less than 30% of the shares) the Treasury shall be entitled to nominate 2 persons for election as independent board members who carry the independence criteria as defined in the Capital Markets legislation;
- During the calculation of 15 % and 30 % of the Shares mentioned in above paragraphs, the amount of group B shares and group D shares held by the Treasury shall be taken into account together.

(c) as long as the Treasury holds 15% or more of the shares (but less than 30% of the shares), the group A shareholder shall be entitled to nominate 2 persons, who carry the independence criteria as defined in the Capital Markets legislation, for election as independent board members and 7 persons for election as Director.

(d) while the Treasury holds the C group privileged share, the Treasury shall be entitled to nominate a further 1 person for election as director for the C group privileged share.

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

The meeting quorum at a board meeting shall be seven of the directors provided that there shall be at least one director appointed by the holder of the group A shares and one director appointed by the holder of the group B shares. If a meeting quorum is not present within half an hour of the time appointed for the meeting or ceases to be present, the director(s) present shall adjourn the meeting to a specified place and time not earlier than five business days after the original date. The meeting quorum at such adjourned meeting shall consist of half of the number of directors then in office (regardless of the nominating share holder) plus one provided that three business days' notice has been given to all the directors.

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

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

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

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

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

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

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

#### *Dividends*

During the year ended 31 December 2017 there is no consolidated profit for the year 2016, no amount is determined as available for dividend distribution.

During the year ended 31 December 2016, remaining balance of 2015 distributable profit after assigning first and second legal reserves, which amounted to TL 840.859 (a dividend of full kuruş 0,2402 per share) has been committed to be distributed and distributed in cash to the shareholders.

#### *Other reserves*

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

	31 December 2017	31 December 2016
Share based payment reserve (Note 23)	9.528	9.528
Difference arising from acquisition of subsidiary	(1.320.942)	(1.320.942)
Reserve for hedge of net investment in a foreign operation	(211.185)	(131.944)
Cash flow hedge reserve	(88.367)	(113.620)
Actuarial loss arising from employee benefits	(526.583)	(493.990)
Currency translation differences	218.920	99.405
	<b>(1.918.629)</b>	<b>(1.951.563)</b>

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

### Other reserves

#### Reserves on hedges of net investment in foreign operations

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

#### Cash flow hedge reserve

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

#### Earnings/losses per share

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

	1 January - 31 December 2017	1 January - 31 December 2016
Weighted average number of ordinary shares outstanding during the year	350.000.000.000	350.000.000.000
Net profit/(loss) for the year attributable to equity holder of the Company	1.135.532	(724.340)
Basic earnings/(losses) per share (in full Kuruş)	0,3244	(0,2070)

## 23. SHARE BASED PAYMENT

According to the Turkish Council of Ministers decision dated 12 December 2007, which was published in the Turkish Official Gazette on 26 December 2007, 52.500.000.000 (45%) shares of Türk Telekom owned by the Treasury, the minority shareholder of Türk Telekom, has been sold as at 15 May 2008, through an initial public offering (“IPO”) (such shares correspondence to corresponding to 15% Türk Telekom’s shares). During the IPO, 12.299.160.300 of such shares have been allocated to the employees of Türk Telekom, PTT and small investors together with 5.220.503.800 shares allocated to domestic investors with high purchasing power with discounted price varying according to the payment terms and application date (compared to the price applied to the other corporate investors for the remaining shares of 34.980.335.900. The discounts provided to Türk Telekom employees have been considered as within the scope of IFRS 2 (“Share Based Payment”) by the management of Türk Telekom considering the fact that Türk Telekom receives services from its employees. The Group has reflected the fair value of the discounts provided to Türk Telekom employees, amounting to TL 9.528, as an expense in the consolidated statement of profit or loss for year ended 31 December 2008 and credited the same amount into the equity as a share based payment reserve.

The market price during the IPO :	TL 4,60
The average price applied to the employees of Türk Telekom :	TL 4,2937
The number of shares sold to Türk Telekom’s employees (lot)	31.104.948
Total benefits provided to the employees :	TL 9.528

The management of Türk Telekom decided that the discounts provided to PTT’s employees, small investors and domestic investors with high purchasing power are not within the scope of IFRS 2 by considering the fact that;

a) Türk Telekom has not received any benefits (goods and services) in exchange for the discounts provided these groups to and

a) the Treasury provided these discounts not as a party acting as a shareholder of Türk Telekom but rather as a State Authority in order to increase the number of small investors as it has been done in all other privatization enhanced through an IPO.

The fair value of the discounts provided to these groups amounts to approximately TL 34.000 in 2008, at the year of the transaction.

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#### 24. COMMITMENTS AND CONTINGENCIES

Guarantees received and given by the Group are summarized below:

		31 December 2017		31 December 2016	
		Original currency	TL	Original currency	TL
Guarantees received	USD	148.101	558.621	173.893	611.965
	TL	794.884	794.884	800.183	800.183
	Euro	37.966	171.434	42.338	157.068
		<b>1.524.939</b>		<b>1.569.216</b>	
Guarantees given <sup>(*)</sup>	USD	176.395	665.344	162.577	572.140
	TL	407.836	407.836	254.227	254.227
	Euro	128.478	580.141	239.806	889.657
	Other	43	43	17	12
		<b>1.653.364</b>		<b>1.716.036</b>	

(\*) Guarantees given amounting to US Dollar 151.500 (31 December 2016: US Dollar 151.500) is related to the guarantee provided to the ICTA by Avea with respect to the Avea Concession Agreement, guarantees given amounting to Euro 12.840 (31 December 2016: Euro 12.840) is related with the guarantee provided for 3G license and guarantees given amounting to Euro 57.281 (31 December 2016: Euro 57.281) is related with the guarantee provided for 4.5G license.

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

	31 December 2017	31 December 2016
A. GPMs given on behalf of the Company's legal personality	1.653.365	1.716.036
B. GPMs given in favor of subsidiaries included in full consolidation	1.163.655	1.303.204
C. GPMS given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	1.985.846	1.920.454
D. Other GPMs	-	-
i. GPMs given in favor of parent company	-	-
ii. GPMs given in favor of Company companies not in the scope of B and C above	-	-
iii. GPMs given in favor of third party companies not in the scope of C above	-	-
<b>Total</b>	<b>4.802.866</b>	<b>4.939.694</b>

Based on law 128/1 of Turkish Code of Obligations, the Group has given guarantee to distributors amounting to TL 1.985.846 for the financial obligation that would arise during the purchase of devices that will be sold as commitment sales by the Group (31 December 2016: TL 1.920.454).

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### **24. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

#### *Other commitments*

The Group has purchase commitments for sponsorships, advertising and insurance services at the amounting to USD 23.500 and TL 2.553 equivalent to TL 91.193 (31 December 2016: TL 70.239) as at 31 December 2017. Payments for these commitments are going to be made in a 3-year period.

The Group has purchase commitments for fixed assets amounting to USD 177.309, Euro 15.180 and TL 386.886 and 82 Pound 386.886 equivalent to TL 1.124.637 (31 December 2016: TL 1.145.296) as at 31 December 2017.

#### *Türk Telekom concession agreement*

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

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

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

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

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

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

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

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### **24. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

#### *Türk Telekom concession agreement (continued)*

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

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

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

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

#### *Avea GSM and IMT-2000/UMTS concession agreement and IMT Authorization Certificate*

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

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

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

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

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

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

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

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### **24. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

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

Avea is also committed to renew the network in line with technological improvements and international agreements and maintain the adequacy of the network by means of technology until the end of the agreement. Avea will keep the facilities covered by the Contract in good working condition until the end of the contract period.

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

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

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

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

#### *Fund payable to the Treasury*

Avea will pay an amount equal to 15% of the gross sales on a monthly basis to the Treasury, except for the default interest imposed on their subscribers for their late payments, indirect taxes, financial obligations such as charges and fees, and the accrual amounts accounted for reporting purposes.

#### *Contribution share to the ICTA*

Avea shall pay 0,35% of the gross sales to the ICTA as contribution share to the ICTA's expenses, latest on the last working day of April of the following year.

#### *Coverage area*

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

Avea has completed its related liabilities with respect to coverage at 31 December 2004.

#### *Service offerings*

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

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#### **24. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

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

###### *Service quality*

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

###### *Tariffs*

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

###### *Emergencies*

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

###### *Investment plans*

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

###### *National roaming*

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

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

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### **24. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

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

##### *Termination of the agreement by the ICTA*

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

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

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

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

##### *Insurance*

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

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

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

According to this Agreement;

- Avea shall provide subscribers’ and users’ 112 calls and other emergency situation calls to public security institutions and other public institutions, and to direct those calls to the centers requested by the said institutions, free of charge bearing all costs.
- Avea shall keep at least 2 units of IMT-2000/UMTS mobile base stations to be used in emergency situations under the request of the Ministry of Transport and Communication.

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### **24. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

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

- Within the first 5 years by the signature of the Agreement, Avea shall obtain the approval of the ICTA for each assignment of Avea shares in ratio exceeding 10% to persons and entities other than the current shareholders and subsidiaries of the current shareholders. Any type of share assignment leading a change in the control of Avea shall be subject to the approval of the ICTA.
- Avea has granted a bank letter of guarantee amounting to Euro 12.840 which is 6% of the license fee, for to act as final guarantee. Should the Avea is understood to not perform its contractual obligations; ICTA shall record and confiscate the final guarantee as income. In such confiscation of final guarantee as income is realized, Avea shall grant new final guarantee within 30 days. Should the new final guarantee not granted within the said period, the Agreement might be terminated.
- During the term of the Agreement, Avea shall each year submit its investment plan related to the subsequent calendar year, till 1 December to the ICTA. This plan shall be prepared for three years and shall include such information as the number, location, coverage areas, investment costs with respect to exchange centres, base stations and control stations to be established, as well as the realization ratio of the previous year's investment plan and reasons of deviation, if any.
- Avea will pay an amount equal to 15% of the gross sales on a monthly basis to the Treasury, except for the default interest imposed on their subscribers for their late payments, indirect taxes, financial obligations such as charges and fees, and the accrual amounts accounted for reporting purposes.
- Avea shall pay 0.35% of the gross sales to the ICTA as contribution share to the ICTA's expenses, latest on the last working day of April of the following year.

#### *Coverage Area Obligations:*

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

- metropolitan municipalities within 3 years,
- all the municipalities of all provinces and districts within 6 years,
- all the residential locations having a population of more than 5.000 within 8 years,
- residential locations having a population of more than 1.000 within 10 years.

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

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

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

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

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### **24. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

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

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

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

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

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

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

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

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

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

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## **Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries** **Notes to the Consolidated Financial Statements** **as at and for the Year Ended 31 December 2017**

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### **24. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

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

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

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

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

Termination of the Agreement by ICTA:

The Authority might terminate the Agreement for the following reasons;

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

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

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

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#### **24. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

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

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

According to the Authorization Certificate;

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

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### **24. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

#### **Certificate of Rights and Obligations regarding the Installation and Operation of IMT Infrastructure and Provision of IMT Services (continued)**

##### *Coverage Area Obligations:*

Following the authorization, Avea shall put at least

- 95% of Turkey's population within 8 years
- 90% of the population in each province and district within 8 years
- 99% of highways, high speed and very high speed train routes and tunnels longer than 1 km within 3 years
- 95% of divided highways within 6 years
- 90% of conventional train routes within 10 years

under coverage. Additionally, following the authorization, Avea shall put at least

- 99% of highways, high speed and very high speed train routes and tunnels longer than 1 km added after the first year within 2 years of its entering into service
  - 95% of divided highways added after the fourth year within 2 years of its entering into service
  - 90% of conventional train routes added after the eighth year within 2 years of its entering into service
- under coverage.

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

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

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

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

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#### **24. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

##### **Certificate of Rights and Obligations regarding the Installation and Operation of IMT Infrastructure and Provision of IMT Services (continued)**

###### *Service quality obligation:*

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

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

###### *Sharing the Radio Access Network:*

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

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

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

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

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

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

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### **24. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

#### **Certificate of Rights and Obligations regarding the Installation and Operation of IMT Infrastructure and Provision of IMT Services (continued)**

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

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

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

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

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

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

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

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

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

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#### **24. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

##### **Certificate of Rights and Obligations regarding the Installation and Operation of IMT Infrastructure and Provision of IMT Services (continued)**

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

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

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

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

##### **Cancelation of Authorization:**

ICTA may terminate the Authorization Certificate for the following reasons;

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

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

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## **24. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

### **Certificate of Rights and Obligations regarding the Installation and Operation of IMT Infrastructure and Provision of IMT Services (continued)**

#### *The Termination of the Authorization Certificate by ICTA (continued)*

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

#### **Legal proceedings of Türk Telekom**

##### *Disputes between the Company and its former personnel*

Within the scope of the ongoing restructuring of the personnel organization of the Company in order to achieve the number of personnel identified, the contracts of the employees who are entitled for retirement and whose service are not needed have been terminated based on the Board of Directors Decision. Accordingly, certain number of those employees has filed re-employment lawsuits against the Company. Some of the lawsuits terminated against the Company while the remaining cases are still ongoing. Provision amounting to TL 13.840 (31 December 2016: TL 13.987) is provided as of 31 December 2017 for the ongoing cases.

##### *Disputes between the Company and Municipalities*

For contribution to the infrastructure investment and municipality share, municipalities filed against the Company and as at 31 December 2017, total provision including the nominal amount and legal interest charge which is amounting to TL 50.258 (31 December 2016: TL 48.641) is recognized.

##### *Disputes between the Group and the ICTA*

The Company has filed various lawsuits against ICTA. These lawsuits are related with the sector-specific and tariff legislations and legislations with respect to the other operators in the market. The sector-specific disputes generally stem from the objections with respect to the provisions of interconnection legislation, legislation with respect to telecommunication services and infrastructure. As of 31 December 2017, TL 23.131 provision provided for ICTA penalties and amounts to be repaid to customers due to ICTA resolutions (31 December 2016: TL 52.346).

##### *Avea's Treasury Share investigation*

Undersecretariat of Treasury has performed an audit at Avea over gross sales for the period 2010 and 2011 and calculated additional charges amounting to TL 2.500 regarding 2G Concession Agreement and TL 15.700 regarding 3G Concession Agreement on the allegation that Treasury Share and Universal Service Participation Fee was not fully paid over “sales discounts, subscriber commitment penalties, advertisement charge outs, discount over roaming and exchange rate differences arising from roaming services” based on the ground that such amounts constitutes the base for treasury share.

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### **24. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

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

- Preliminary injunction request is rejected regarding the amount over 2G Concession Agreement, an arbitration case has been initiated.
- A cancellation case has been initiated with stay of execution request regarding the penalties claimed under the 3G Concession Agreement. The stay of execution request was denied. The objection against this ruling is also denied.

The Company paid TL 27.795 in January 2016 including interest for amounts resulting from 3G sales and TL 4.582 in September 2016 for amounts resulting from 2G sales.

In addition, ICTA sent a notification requesting TL 44.940 penalty over 3G Concession Agreement and TL 7.021 penalty over 2G Concession Agreement which is calculated as three times of the principal amount.

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

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

As a result of an inspection review on gross sales of Avea for the years 2012 and 2013, Undersecretariat of Treasury requested an additional payment amounting to TL 117.365 in accordance with 2G Concession Agreement and TL 66.697 in accordance with 3G Concession Agreement, claiming that "sales discounts, subscriber commitment penalties, advertisement charge outs and field usage charges should be included in Treasury Share and Contribution Share to the Universal Service calculations.

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

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#### **24. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

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

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

Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation" was published on the Official Gazette numbered 30261 on 5 December 2017. According to Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation, the provisional clause added to Telegraph and Telephone Law numbered 406, contribution share to universal service, contribution share to authority expenses, administrative fee, radio fee, penalty fee and ancillaries thereof under dispute or under examination had been stated with 7061 numbered law. In regard to the provisional clause, the Company has decided to utilize the restructuring provisions regarding treasury share, contribution share to universal service, contribution share to authority expenses, administrative fee, radio fee, penalty fee and ancillaries thereof which are the subject of finalized investigations and related litigations.

The Company, made applications for restructuring on 24 January 2018 and terminated all the disputes, relating the subject and mentioned above, by waiving/accepting.

**Within the scope of restructuring provisions**, total amount calculated in this context is TL 312.181 which includes TL 210.463 principal and TL 101.718 interest (based on Domestic Producer Price Index, Yİ-UFE). Payment will be made in six equal installments (plus deferred payment interest) in two-month periods beginning in January 2018.

The Company has recognized a provision amounting to TL 312.181 in the consolidated financial statements for additional treasury share claim as at 31 December 2017 (31 December 2016: TL 111.554).

#### **Other issues**

Provision has been provided in the consolidated financial statements for the probable court cases against the Group based on the lawyers' assessments. The provision for such court cases is amounting to TL 33.828 as at 31 December 2017 (31 December 2016: TL 37.672). For the rest of the cases, Group lawyers commented that basis of those cases are not realistic and should be appealed. Therefore, no provision has been provided for these cases.

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## 25. SUPPLEMENTARY CASH FLOW INFORMATION

Reconciliation of movements of liabilities to cash flows arising from financing activities

	31 December 2016	Cash flows	Acquisition	Non-cash flows		31 December 2017
				Foreign exchange movement	Other non-cash changes	
Financial liabilities	15.039.006	(750.170)	556.446	1.644.874	(1.017)	16.489.139
Obligations under finance leases (Note 7)	2.173	(71)	29	468	--	2.599
Derivative financial instruments (Note 15)	385.968	18.788	--	--	(95.315)	309.441
<b>Total liabilities from financing activities</b>	<b>15.427.147</b>	<b>(731.453)</b>	<b>556.475</b>	<b>1.645.342</b>	<b>(96.332)</b>	<b>16.801.179</b>

### Other explanations

"Other outflows of cash" in net cash used in operating activities represents change in restricted cash. Restricted cash amount is disclosed in Note 4. "Other outflows of cash, net" in net cash used in financial activities represents change in other financial payment. "Other adjustment for non-cash items" in adjustments to reconcile net profit to cash provided by operating activities represents change in TFRS Interpretation 12.

## 26. SUBSEQUENT EVENTS

None.

## 27. REVENUE

	1 January 2017 - 31 December 2017	1 January 2016 - 31 December 2016
Mobile	6.638.683	5.756.291
Broadband	4.899.033	4.243.836
Fixed voice	2.603.435	2.798.072
Corporate data	1.492.416	1.314.613
IFRIC 12 revenue	704.315	412.516
International revenue	639.019	509.792
Tv	228.135	176.913
Other	934.518	896.561
	<b>18.139.554</b>	<b>16.108.594</b>

## 28. OPERATING EXPENSES (INCLUDING COST OF SALES)

	1 January 2017 - 31 December 2017	1 January 2016 - 31 December 2016
Cost of sales (-)	(10.029.082)	(9.023.396)
General administrative expenses (-)	(2.175.077)	(2.211.725)
Marketing, sales and distribution expenses (-)	(2.404.461)	(2.187.900)
Research and development expenses (-)	(124.737)	(93.821)
	<b>(14.733.357)</b>	<b>(13.516.842)</b>

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#### **29. EXPENSES BY NATURE**

	<b>1 January 2017 - 31 December 2017</b>	<b>1 January 2016 - 31 December 2016</b>
Personnel expenses	(2.861.189)	(2.787.001)
Taxes	(1.635.517)	(1.444.466)
Domestic interconnection	(1.202.488)	(1.129.938)
Commission expenses	(732.192)	(656.594)
Repair and maintenance expenses	(721.877)	(582.631)
TFRS Interpretation 12 related fixed assets additions and capex provision expenses	(623.288)	(365.058)
Advertisement expenses	(597.423)	(543.781)
Rent expenses	(500.661)	(484.429)
Cost of sales and cost of equipment sales of technology companies	(468.631)	(425.098)
Doubtful receivable expenses	(467.993)	(371.223)
International interconnection	(425.480)	(302.500)
Utilities	(407.888)	(395.706)
Other expenses	(1.069.498)	(1.179.856)
<b>Total operating expenses (excluding depreciation and amortization expense)</b>	<b>(11.714.125)</b>	<b>(10.668.281)</b>
<b>Depreciation, amortization</b>	<b>(2.906.444)</b>	<b>(2.796.343)</b>
<b>Impairment expenses</b>	<b>(112.788)</b>	<b>(52.218)</b>
<b>Total operating expenses</b>	<b>(14.733.357)</b>	<b>(13.516.842)</b>

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### **30. OTHER OPERATING INCOME / (EXPENSES)**

	1 January 2017 - 31 December 2017	1 January 2016 - 31 December 2016
Interest and discount gains	127.972	106.213
Foreign exchange gains	44.869	75.770
Indemnity income	31.048	28.292
Rental income	26.743	20.957
Other	60.491	92.631
<b>Other operating income</b>	<b>291.123</b>	<b>323.863</b>
Foreign exchange losses	(135.723)	(436.730)
Litigation provision compensation and penalty expenses	(248.852)	(161.093)
Interest and discount losses	(72.195)	(85.207)
Interest expenses on employee benefit obligations (Note 21)	(57.084)	(60.465)
Other	(27.116)	(32.136)
<b>Other operating expense (-)</b>	<b>(540.970)</b>	<b>(775.631)</b>

### **31. INCOME/(EXPENSE) FROM INVESTING ACTIVITIES**

	1 January 2017 - 31 December 2017	1 January 2016 - 31 December 2016
Gain from scrap sales	112.307	47.149
Gain on sales of property, plant and equipment	18.091	12.891
<b>Income from investing activities</b>	<b>130.398</b>	<b>60.040</b>
Losses from sales on property, plant and equipment	(5.610)	(4.048)
<b>Expense from investing activities (-)</b>	<b>(5.610)</b>	<b>(4.048)</b>

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## **Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

### **Notes to the Consolidated Financial Statements**

#### **as at and for the Year Ended 31 December 2017**

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

### **32. FINANCIAL INCOME / (EXPENSE)**

	1 January 2017 - 31 December 2017	1 January 2016 - 31 December 2016
Gain on derivative instruments	420.785	444.231
Interest income on bank deposits and delay charges	181.787	125.893
Foreign exchange gains	119.389	93.647
Other	346	988
<b>Financial Income</b>	<b>722.307</b>	<b>664.759</b>
Foreign exchange losses	(1.510.419)	(2.438.672)
Interest expense	(563.762)	(501.252)
Loss on derivative instruments	(393.165)	(254.800)
Other	(57.772)	(62.572)
<b>Financial expenses</b>	<b>(2.525.118)</b>	<b>(3.257.296)</b>
<b>Financial expenses, net</b>	<b>(1.802.811)</b>	<b>(2.592.537)</b>

### **33 TAXATION ON INCOME**

	31 December 2017	31 December 2016
Corporate tax payable:		
Current corporate tax provision	651.405	395.175
Prepaid taxes and funds (-)	(627.061)	(377.246)
<b>Tax payable</b>	<b>24.344</b>	<b>17.929</b>

	1 January 2017 - 31 December 2017	1 January 2016 - 31 December 2016
Tax expense:		
Current tax expense:		
Current income tax expense	(671.216)	(405.776)
Adjustments in respect of income tax of previous year	(25.576)	(8)
Deferred income (Note 11) :		
Deferred tax income	353.997	78.005
	<b>(342.795)</b>	<b>(327.779)</b>

As of 31 December 2017 deferred tax income amounting to TL 1.511 (31 December 2016: TL 13.383) and current tax expense amounting to TL 19.810 (31 December 2016: TL 10.602) are recognized in the consolidated statement of other comprehensive income.

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### **33. TAXATION ON INCOME (CONTINUED)**

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

In Turkey, corporate tax rate is 20% as of 31 December 2017 (2016: 20%). However, according to the Article 91 of the Law numbered 7061 “Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation” which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%.

The tax legislation provides for a temporary tax of 20% (2016: 20%) to be calculated and paid based on earnings generated for each quarter for the period ended 31 December 2017. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. With the amendment to the Law, corporate rate is set to 22% for the years 2018, 2019 and 2020.

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

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

Dividend payments made to resident and non-resident individuals, non-resident legal entities and corporations resident in Turkey (except for the ones exempt from corporate and income tax), are subject to an income tax of 15%.

Dividend payments made from a corporation resident in Turkey to a corporation also resident in Turkey are not subject to income tax. Furthermore, income tax is not calculated in case the profit is not distributed or transferred to equity.

The dividend income (excluding the participation certificates of investment funds and profit shares derived from the share certificates of investment trusts) derived by entities from the participation in the capital of another resident entity is exempt from corporate tax. Furthermore, 75% of the income derived by entities from the sale of participation shares and real estates (immovable property) preferential rights, founders’ shares and redeemed shares which are carried in assets at least for two years is exempt from corporate tax as of 31 December 2017. However, according to the amendments by Law numbered 7061, this rate is reduced from 75% to 50% with regard to immovable properties and tax declarations starting from 2018 will be calculated using 50% for immovable properties.

In order to be able to benefit from the exemption, the relevant income should be kept under a fund account in the liabilities and should not be withdrawn from the enterprise for 5 years. The sales amount should be collected by the end of the second calendar year following the year of sale.

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### **33. TAXATION ON INCOME (CONTINUED)**

The reconciliation between tax expense and the product of accounting profit multiplied by applicable tax is as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Profit before tax	1.478.327	(396.561)
Tax at the corporate tax rate of (20%)	(295.665)	79.312
Tax effects of:		
- expenses that are not deductible in determining taxable profit	(28.557)	(62.983)
- tax rate difference of subsidiaries	744	720
- deferred tax asset recognition from cash capital increase	36.734	38.950
- deferred tax asset recognized / derecognized from previous years' tax losses carried forward by subsidiaries	43.825	(1.534)
- the effect of increasing corporate tax ratio from %20 to %22	(22.190)	-
- adjustments and tax losses of subsidiaries not subject to deferred tax	(77.686)	(382.244)
<b>Tax expense for the year</b>	<b>(342.795)</b>	<b>(327.779)</b>

#### *Investment Incentives*

Avea has obtained investment incentive certificates from the Turkish government authorities in connection with certain major capital expenditures, which entitle Avea, among other things, to:

- A 100% exemption from customs duty on machinery and equipment to be imported,
- An investment allowance of 100% on approved capital expenditures,

The investment allowance indicated in (b) above is deductible from current or future taxable profits for the purposes of corporation tax; however, such investment allowances are subject to a withholding tax. At 31 December 2017, investment allowances amount to TL 7.633.791 (2016: TL 6.661.406). Unrecognized deferred tax asset is TL 91.637 (2016 : TL 79.461).

The Law foresaw that the taxpayers that have investment allowance rights obtained under the scope of the previous provisions valid before 24 April 2003 and the provisions of the amended article 19 of the Income Tax Law (amended with Law No 4842) that were effective until 31 December 2005 would be able to utilize their investment allowance rights only for their income generated in the years 2006, 2007, and 2008.

However on 15 October 2009, the Constitutional Court decided to cancel the phrases which abolish the investment allowances after 2008 and limit the use of investment allowance incentive allowance with the years 2006, 2007 and 2008. The annulment decision is effective after being published in the Official Gazette no 27456 dated 8 January 2010. Accordingly, Avea may utilize those unused incentive in the future.

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#### 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk policies of the Group are managed centrally with the support of a committee. All Group companies meet their cash needs determined in business plans approved by their boards, by using credits or capital increase with guidance of the central management. The Group may choose long or short term financing according to their financing needs and market assumptions.

The Group's risk management policies are designed to identify and analyze the risks faced by the Group, to determine appropriate risks limits and controls, and to observe commitment to these limits. Risk management policies and systems are constantly under review to reflect changes in the Group's activities and market conditions.

The Group audit committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

##### Financial risk factors

The Group's principal financial instruments comprise forward market transactions, bank loans and cash and short-term deposits. The main purpose of these financial instruments is to raise funds for the Group's operations and to hedge interest rate risk. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The board reviews and agrees to policies for managing each of these risks.

##### Credit risk

	Receivables						
	Trade Receivables		Other receivables		Deposits and banks	Derivative Instruments	Other
	Related Parties	Third Parties	Related Parties	Third Parties			
<b>31 December 2017</b>							
Maximum credit risk exposed to as at the reporting date (A+B+C+D+E)	23.707	4.884.031	-	91.731	4.099.906	616.718	-
- Guaranteed portion of the maximum risk	-	17.232	-	-	-	-	-
A. Carrying amount of financial assets not overdue or not impaired	23.707	3.546.112	-	91.731	4.099.906	616.718	-
B. Carrying amount of financial assets with rediscussed conditions that are considered overdue or impaired if not rediscussed	-	-	-	-	-	-	-
C. Carrying amount of financial assets overdue but not impaired	-	1.337.919	-	-	-	-	-
-Amount secured via guarantees	-	-	-	-	-	-	-
D. Carrying amount of assets impaired	-	-	-	-	-	-	-
-Overdue (gross book value)	-	2.840.298	-	24.186	-	-	-
-Impairment (-)	-	(2.840.298)	-	(24.186)	-	-	-
E. Off balance sheet items with credit risk	-	-	-	-	-	-	-

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#### 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

*Credit risk (continued)*

	Receivables						
	Trade Receivables		Other receivables		Deposits and banks	Derivative Instruments	Other
	Related Parties	Third Parties	Related Parties	Third Parties			
<b>31 December 2016</b>							
Maximum credit risk exposed to as at the reporting date (A+B+C+D+E)	26.193	4.160.646	-	86.818	3.016.008	652.798	-
- Guaranteed portion of the maximum risk	-	34.084	-	-	-	-	-
A. Carrying amount of financial assets not overdue or not impaired	26.193	2.965.394	-	86.818	3.016.008	652.798	-
B. Carrying amount of financial assets with rediscussed conditions that are considered overdue or impaired if not rediscussed	-	-	-	-	-	-	-
C. Carrying amount of financial assets overdue but not impaired	-	1.195.252	-	-	-	-	-
-Amount secured via guarantees	-	-	-	-	-	-	-
D. Carrying amount of assets impaired	-	2.373.313	-	23.840	-	-	-
-Overdue (gross book value)	-	(2.373.313)	-	(23.840)	-	-	-
-Impairment (-)	-	-	-	-	-	-	-
E. Off balance sheet items with credit risk	-	-	-	-	-	-	-

Financial losses due to Group's receivables and financial assets which result from not implementing agreement clauses related to financial assets by a customer or other party constitutes credit risk.

When determining the credit risk exposure as at the balance sheet date, items like guarantees received, which increase the credit worthiness have not been considered. The aging for assets overdue but not impaired for has been provided in Note 6.

As of 31 December 2017, the maximum credit risk Company exposure is reflected by presenting all financial assets from carrying amount on consolidated balance sheet.

#### *Liquidity risk*

Liquidity risk is uncertainty to cover future financial obligations.

The Group's objective is to maintain a balance between current assets and liabilities through close monitoring of payment plans and cash projections.

The Group manages current and long-term funding by maintaining adequate reserves, banking facilities, reserve borrowing facilities and loan agreements with suppliers through continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

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#### 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

##### Liquidity risk (continued)

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2017 and 2016 based on contractual undiscounted payments (including interest payments not due yet).

Contract based maturities as at 31 December 2017	Book value	Total contract based cash outflow (I+II+III+IV)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	More than 5 years (IV)
<b>Non-derivative financial liabilities</b>						
Financial liabilities and bills, bonds and notes issued	16.489.139	19.062.316	253.002	2.717.940	12.493.807	3.597.567
Obligations under finance leases	2.599	2.602	154	465	1.983	-
Trade payables	4.066.558	4.066.870	3.739.500	327.370	-	-
Other payables <sup>(1)</sup>	1.300.601	1.322.274	947.043	-	375.231	-
Related parties	2.326	2.326	-	2.326	-	-
<b>Derivative financial liabilities (net)</b>	<b>309.441</b>	<b>309.442</b>	<b>6.069</b>	<b>23.766</b>	<b>104.747</b>	<b>174.859</b>

Contract based maturities as at 31 December 2016	Book value	Total contract based cash outflow (I+II+III+IV)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	More than 5 years (IV)
<b>Non-derivative financial liabilities</b>						
Financial liabilities and bills, bonds and notes issued	15.039.006	17.447.303	535.384	1.772.881	11.702.567	3.436.471
Obligations under finance leases	2.173	2.179	152	456	1.571	-
Trade payables	4.606.068	4.595.288	2.929.286	1.514.882	151.120	-
Other payables <sup>(1)</sup>	1.321.626	1.570.054	942.680	-	627.374	-
Related parties	8.812	8.812	6.110	2.702	-	-
<b>Derivative financial liabilities (net)</b>	<b>385.968</b>	<b>385.968</b>	<b>71.577</b>	<b>33.290</b>	<b>153.107</b>	<b>127.994</b>

<sup>(1)</sup> Other payables item includes other payables, employee benefit obligations and other current liabilities. Taxes and other payables contained within employee benefit obligations and advances contained within other current liabilities are excluded.

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

## Market risk

## Foreign Currency Risk

	31 December 2017				31 December 2016					
	TL Equivalent	US Dollar	Euro	GBP	Other	TL Equivalent	USD	Euro	GBP	Other
1. Trade receivables	248.843	25.209	34.052	-	-	166.761	25.518	20.700	-	172
2a. Monetary financial assets (Cash and banks accounts included)	2.023.846	366.988	141.646	-	-	720.277	139.625	61.702	-	-
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
3. Other	111.129	5.452	20.056	-	-	69.413	1.789	17.011	1	-
4. Current assets (1+2+3)	2.383.818	397.649	195.754	-	-	956.451	166.932	99.413	1	172
5. Trade receivables	1.660	440	-	-	-	5.723	956	110	-	2.081
6a. Monetary financial assets	59.006	15.643	-	-	-	58.158	14.612	1.816	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
7. Other	677	2	149	-	-	682	39	147	-	-
8. Non-current assets (5+6+7)	61.343	16.085	149	-	-	64.563	15.607	2.073	-	2.081
9. Total assets (4+8)	2.445.161	413.734	195.903	-	-	1.021.014	182.539	101.486	1	2.253
10. Trade payables	1.629.635	327.159	87.558	50	3	2.798.874	413.637	362.013	39	3
11. Financial liabilities	2.419.330	354.105	239.991	-	-	1.914.891	370.338	164.793	43	-
12a. Monetary other liabilities	14.929	199	3.140	-	-	24.661	3.102	3.705	-	-
12b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-
13. Short-term liabilities (10+11+12)	4.063.894	681.463	330.689	50	3	4.738.426	787.077	530.511	82	3
14. Trade payables	-	-	-	-	-	85.104	93	22.851	-	-
15. Financial liabilities	13.988.494	2.643.710	889.533	-	-	13.051.776	2.639.936	1.013.859	-	-
16 a. Monetary other liabilities	216.834	31.252	21.914	-	-	241.623	43.307	24.048	-	-
16 b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-
17. Long-term liabilities (14+15+16)	14.205.328	2.674.962	911.447	-	-	13.378.503	2.683.336	1.060.758	-	-
18. Total liabilities (13+17)	18.269.222	3.356.425	1.242.136	50	3	18.116.929	3.470.413	1.591.269	82	3
19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b)	3.614.894	1.605.000	(540.140)	-	-	2.236.771	1.205.000	(540.140)	-	-
19a. Total asset amount hedged	-	-	-	-	-	-	-	-	-	-
19b. Total liability amount hedged	(3.614.894)	(1.605.000)	540.140	-	-	(2.236.771)	(1.205.000)	540.140	-	-
20. Net foreign currency asset/(liability) position (9-18+19)	(12.209.167)	(1.337.691)	(1.586.373)	(50)	(3)	(14.859.144)	(2.082.874)	(2.029.923)	(81)	2.250
21. Net asset/(liability) position of foreign currency monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(15.935.867)	(2.948.145)	(1.066.438)	(50)	(3)	(17.166.010)	(3.289.702)	(1.506.941)	(82)	2.250
22. Fair value of FX swap financial instruments	365.659	96.943	-	-	-	367.841	104.524	-	-	-
23. Hedged amount of foreign currency assets	-	-	-	-	-	-	-	-	-	-
24. Hedged amount of foreign currency liabilities	(3.614.894)	(1.605.000)	540.140	-	-	(2.236.771)	(1.205.000)	540.140	-	-

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#### 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

Foreign currency risk (continued)

The Group has transactional currency exposures mainly with respect to the financial liabilities and trade payables. Foreign currency denominated borrowings are stated in Note 5.

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

31 December 2017	Profit/Loss		Other comprehensive income	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>Appreciation of USD against TL by 10%:</b>				
1- USD net asset/liability	(1.137.335)	1.137.335	-	-
2- Hedged portion of USD risk (-) <sup>(*)</sup>	55.277	(86.024)	(11.895)	11.895
<b>3- USD net effect (1+2)</b>	<b>(1.082.058)</b>	<b>1.051.311</b>	<b>(11.895)</b>	<b>11.895</b>
<b>Appreciation of Euro against TL by 10%:</b>				
4- Euro net asset/liability	(472.427)	472.427	-	-
5- Hedged portion of Euro risk (-)	-	-	12.155	(12.155)
<b>6- Euro net effect (4+5)</b>	<b>(472.427)</b>	<b>472.427</b>	<b>12.155</b>	<b>(12.155)</b>
<b>Appreciation of other foreign currencies against TL by 10%:</b>				
7- Other foreign currency net asset/liability	(25)	25	-	-
8- Hedged portion of other foreign currency (-)	-	-	-	-
<b>9- Other foreign currency net effect (7+8)</b>	<b>(25)</b>	<b>25</b>	<b>-</b>	<b>-</b>
<b>Total (3+6+9)</b>	<b>(1.554.510)</b>	<b>1.523.763</b>	<b>260</b>	<b>(260)</b>

<sup>(\*)</sup>Including the fair value differences of cross currency, interest rate swap and option contracts.

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#### **34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

*Market risk (continued)*

*Foreign currency risk (continued)*

31 December 2016	Profit/Loss		Other comprehensive income	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>Appreciation of USD against TL by 10%:</b>				
1- USD net asset/liability	(1.157.069)	1.157.069	-	-
2- Hedged portion of USD risk (-)	(18.169)	(8.359)	-	-
<b>3- USD net effect (1+2)</b>	<b>(1.175.238)</b>	<b>1.148.710</b>	-	-
<b>Appreciation of Euro against TL by 10%:</b>				
4- Euro net asset/liability	(552.694)	552.694	-	-
5- Hedged portion of Euro risk (-)	-	-	(10.039)	10.039
<b>6- Euro net effect (4+5)</b>	<b>(552.694)</b>	<b>552.694</b>	<b>(10.039)</b>	<b>10.039</b>
<b>Appreciation of other foreign currencies against TL by 10%:</b>				
7- Other foreign currency net asset/liability	176	(176)	-	-
8- Hedged portion of other foreign currency (-)	-	-	-	-
<b>9- Other foreign currency net effect (7+8)</b>	<b>176</b>	<b>(176)</b>	-	-
<b>Total (3+6+9)</b>	<b>(1.727.756)</b>	<b>1.701.228</b>	<b>(10.039)</b>	<b>10.039</b>

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### **34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

#### *Interest rate risk*

The value of a financial instrument will fluctuate as a result of changes in market prices. The Group's interest rate risk is primarily attributable to its borrowings.

The interest-bearing financial liabilities have variable interest rates, whereas the interest bearing financial assets have a fixed interest rate and future cash flows associated with these financial instruments will not fluctuate in amount. The Group is subject to interest risk due to financial liabilities and finance lease obligations. Policy of the Group is to manage this risk through fixed and variable rates borrowings. In order to cover for these risks, the Group has entered into interest rate swaps (Note 15).

The interest rate risk table is presented below:

	31 December 2017	31 December 2016
<b>Financial instruments with fixed interest rate</b>		
Financial assets	3.467.650	2.100.430
Financial liabilities	(4.070.254)	(3.969.199)
	(602.604)	(1.868.769)
Effect of interest rate swaps	(5.687.597)	(5.114.134)
	<b>(6.290.201)</b>	<b>(6.982.903)</b>
<b>Financial instruments with variable interest rate</b>		
Financial liabilities	(12.418.885)	(11.069.807)
Effect of interest rate swaps	5.687.597	5.114.134
	<b>(6.731.288)</b>	<b>(5.955.673)</b>

If the base point of denominated interest rates for financial instruments with variable interest rate was higher 0,25%, with all other variables held constant, the Group's income before tax and minority interest would be lower by TL 6.640 (31 December 2016: TL 7.147) and interest rate was lower 0,25%, with all other variables held constant, the Group's income before tax and minority interest would be higher by TL 6.185 (31 December 2016: TL 4.807) as of 31 December 2017.

On the other side because of hedging, if the base point of interest rate higher/lower 0.25%, equity would be higher by TL 40.856 (31 December 2016: TL 45.991), if the base point of interest rate lower 0,25%, equity would be lower by TL 41.472 (31 December 2016: TL 46.792).

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

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

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

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

## **Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries** **Notes to the Consolidated Financial Statements** **as at and for the Year Ended 31 December 2017**

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

### **34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

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

	Carrying amount		Fair value	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
<b>Financial assets</b>				
Cash and cash equivalents	4.100.204	3.016.366	4.100.204	3.016.366
Trade and other receivables (including related parties)	4.999.469	4.273.657	4.999.469	4.273.657
Other financial investments (*)	11.840	11.840	(*)	(*)
Derivative financial assets	616.718	652.798	616.718	652.798
<b>Financial liabilities</b>				
Bank borrowings	12.732.751	11.539.249	12.731.473	11.538.927
Bills, bonds and notes issued	3.756.388	3.499.757	3.822.545	3.393.503
Financial leasing liabilities	2.599	2.173	2.599	2.173
Trade payables and other liabilities (including related parties) (**)	5.369.485	5.950.127	5.369.485	5.950.127
Derivative financial liabilities	309.441	385.968	309.441	385.968

(\*) Group's share in Cetel is carried at cost. Information on fair value of share in Cetel is not available.

(\*\*) Trade payables and other liabilities item includes trade and other payables, employee benefit obligations and other liabilities contained within other current liabilities. Taxes and other payables contained within employee benefit obligations and advances contained within other current liabilities are excluded.

#### **Fair value hierarchy table**

The group classifies the fair value measurement of each class of financial instruments according to the source, using the three-level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques includes direct or indirect observable inputs

Level 3: Valuation techniques does not contains observable market inputs

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

## **Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

### **Notes to the Consolidated Financial Statements**

#### **as at and for the Year Ended 31 December 2017**

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

#### **34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

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

Fair value hierarchy table as at 31 December 2017 is as follows:

	Date of Valuation	Fair Value Measurement			
		Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Financial assets measured at fair value:</b>					
Derivative Financial Assets:					
Cross currency swaps	31 December 2017	557.712	-	557.712	-
Interest rate swaps	31 December 2017	59.006	-	59.006	-
<b>Financial liabilities measured at fair value:</b>					
Derivative Financial Liabilities:					
Interest rate swaps	31 December 2017	117.389	-	117.389	-
Cross currency swaps	31 December 2017	192.052	-	192.052	-
<b>Other financial liabilities not measured at fair value</b>					
Bank loans	31 December 2017	12.731.473	-	12.731.473	-
Bills, bonds and notes issued	31 December 2017	3.822.545	3.822.545	-	-

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

## **Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

### **Notes to the Consolidated Financial Statements**

#### **as at and for the Year Ended 31 December 2017**

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

#### **34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

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

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

	Date of Valuation	Fair Value Measurement			
		Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Financial assets measured at fair value:</b>					
Derivative Financial Assets:					
	31 December				
Cross currency swaps	2016	601.401	-	601.401	-
	31 December				
Interest rate swaps	2016	51.397	-	51.397	-
<b>Financial liabilities measured at fair value:</b>					
Derivative Financial Liabilities:					
	31 December				
Interest rate swaps	2016	152.408	-	152.408	-
Non-controlling interest put option liability	31 December	233.560	-	233.560	-
	2016				
<b>Other financial liabilities not measured at fair value</b>					
	31 December				
Bank loans	2016	11.538.927	-	11.538.927	-
	31 December				
Bills, bonds and notes issued	2016	3.393.503	3.393.503	-	-

#### *Capital management policies*

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

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

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

# Glossary

## 0-9

### 3G

Third generation of mobile systems. Provide high-speed data transmissions and higher supporting multimedia applications such as full-motion video, video conferencing and Internet access. See "UMTS".

## A

### Access Channel

The network element used to connect a subscriber to the nearest switch or concentrator. An access channel generally takes the form of a closed circuit and consists of a pair of copper wires, but may also employ fiber optic cables, microwave links or other technologies.

### ACD (Automatic Call Distribution)

A specialized phone system for handling incoming calls which recognizes and answers calls according to instructions from a database and then routes the calls to an operator or agent.

### ADSL (Asymmetric Digital Subscriber Line)

A technology for transferring data that uses an access channel to provide faster network access to the Internet and other popular multimedia and data services at speeds of up to two to six Mbps, a transfer speed 50 times faster than narrowband or dial-up Internet access.

### ARPL (Average Revenue per Line)

Measures the average monthly revenue generated for each line. The method used to calculate this measure may differ among operators.

### ARPU (Average Revenue per User)

Measures the average monthly revenue generated for each customer unit, such as a mobile phone.

### ATM (Asynchronous Transfer Mode)

A multiplexing and routing technology for high-speed digital communications that permits data, text, voice, video and multimedia signals to be transmitted simultaneously between network access points at speeds of up to 155 Mbps or more. ATM allows for better local area network interconnections, PABX interconnection, data transmission and flexible bandwidth delivery.

## B

### Base Station

Fixed transceiver equipment in each cell of a mobile telecommunications network that communicates by radio signal with mobile handsets in that cell.

### Bit

The smallest unit of binary data.

### Bit stream Access

Access to Türk Telekom equipment connecting a provider to the end user to provide high-speed access services. This form of access differs from wholesale in that, in terms of transmission capacity, it provides access at a binary rate and the operator, as the access provider, decides on the technical specifications for the equipment directly connected to the access channel, as well as on the interface offered at the end-user side.

### BPS (Bits per Second)

A data transmission rate

### Broadband Service

A communications service for content requiring high-speed transmission rates such as video transmission.

## C

### **Call Forwarding**

A feature permitting the user to program a phone to ring at an alternate location; call forwarding may be in effect at all times or only in certain designated instances, such as when a particular phone is busy or there is no answer.

### **Call Waiting**

A warning signal received when a person is on a call that there is a second incoming call.

### **Carrier Pre-Selection**

A mechanism that allows customers to select competing operators as that user's default operator without dialing additional codes on the telephone. The customer subscribes to the services of a competing operator and his calls are routed through such operator.

### **Centrex**

An enhanced phone service offered by public exchanges that delivers PBX switchboard-like functions to groups of users without the need for a private exchange within an organization or other group of users.

### **Churn**

A measure of customer turnover due to subscription disconnections as a result of terminations by customers; switching by customers to competing services; terminations by the service provider due to customer non-payment; and, in the case of mobile communications services, expirations of pre-paid cards.

### **CLIP (Call Line Identification Presentation)**

A code that is sent over phone lines in certain locations when a person makes a phone call. This code includes the phone number of the person making the call. Certain modems are able to understand this code, and inform the customer of the identity of the person who is calling before the customer answers the phone.

## **CLIR**

Caller Line Identity Restriction

## **Co-Location**

The physical or virtual placement of competitors' equipment within the facilities of Türk Telekom for purposes of providing telecommunications services to end users, such as interconnection and unbundling.

## **CPI**

Consumer Price Index

## **CTI (Computer Telephony Integration)**

A system that enables a computer to act as a call center, accepting incoming calls and routing them to the appropriate destination.

## D

### **Digital**

A method of storing, processing and transmitting information through the use of distinct electronic or optical pulses that represent the binary digits 0 and 1. Digital transmission and switching technologies employ a sequence of these pulses to represent information as opposed to the continuously variable analog signal. Compared to analog networks, digital networks allow for greater capacity, lower interference, protection against eavesdropping and automatic error correction. Signals are encoded into digits for transmission.

### **DSL (Digital Subscriber Line)**

See "xDSL".

### **DSLAM (Digital Subscriber Line Access Multiplexer)**

Equipment at a phone company's central location that can be used to link many customer DSL connections to a single high-speed ATM line.

### **DWDM (Dense Wavelength Division Multiplexing)**

A technique enabling several independent flows of digital information to co-exist on the same optical fibre.

## E

### **EDGE**

Enhanced Data Rates for Global Evolution.

### **Ethernet**

A local area network allowing several computers to transfer data, typically over a coaxial cable.

### **Exchange**

See “switch”.

## F

### **Frame Relay**

A data transport protocol that divides a physical communications line into several virtual channels. A technology part-way between X25 packet switching and ATM.

### **Frequency band**

A specified range of frequencies. Frequency refers to the number of times per second that a wave (e.g., electromagnetic wave) oscillates or swings back and forth in a complete cycle from its starting point to its end point.

## G

### **GByte**

A unit of binary data commonly used to measure data storage or transfer.

### **Gbps (Gigabits per second)**

A data transmission rate. One Gbps equals one billion bps.

### **G.SHDSL (Global Symmetric High Bit-Rate Digital Subscriber Line)**

Service that provides equal bandwidth for both uploads and downloads and transports data at a maximum bit rate of 2.3 mbits/s in both directions.

### **GMPCS (Global Mobile Personal Communications via Satellite)**

A personal communication system providing transnational, regional or global coverage through satellites that are accessible by end users with small and easily transportable terminals.

### **GPRS (General Packet Radio Service)**

A GSM-based packet-switched data transmission technology standard, established by the European Telecommunications Standards Institute, in which base stations can be directly connected to the Internet, thus bypassing the switching systems typically used to connect mobile traffic to fixed networks. GPRS provides users of mobile communications services better data access capability with virtually instant and permanent connections, as well as speeds up to ten times higher than GSM.

### **GSM (Global System for Mobile Communications)**

A digital mobile telecommunications system standardized by the European Telecommunications Standards Institute based on digital transmission and cellular network architecture with roaming in use throughout Europe, Japan and in various other countries. GSM systems operate in the 900 MHz (GSM 900) and 1800 MHz (GSM 1800, also referred to as DCS 1800) frequency bands.

### **GSM 900 and GSM 1800**

See “GSM”.

## I

### **Interconnection**

The linking of telecommunications networks used by the same or different persons in order to allow the users of the services or networks of one person to communicate with the users of the services or networks of the same person or of another person, or to access services provided by another person.

### **International Roaming**

Provision of roaming services in the domestic market to subscribers of a competing operator's network. See "roaming".

### **Internet Access Line**

The network element used to connect a subscriber to the nearest switch or concentrator. An access channel generally takes the form of a closed circuit and consists of a pair of copper wires, but may also employ fibre optic cables, microwave links or other technologies.

### **IP (Internet Protocol)**

Protocol used in the Internet for communication among multiple networks.

### **IP-VPN (Internet Protocol Virtual Private Network)**

A closed network of encrypted links accessible via Internet protocol

### **IPTV**

Internet Protocol television, a system in which digital television services are delivered by using Internet Protocol over a network infrastructure, which may include delivery via a broadband connection.

### **ISDN (Integrated Services Digital Network)**

A transmission system with the capacity to transmit two streams of information (voice, text, data or graphics) simultaneously on a single access channel based upon end-to-end digitalization and standardized out-of-band signaling.

### **ISDN-BA**

Integrated Services Digital Network Basic Access, comprising two voice channels and one signaling channel.

### **ISDN-PA**

Integrated Services Digital Network Primary Access, comprising 30 voice channels and one signaling channel.

### **ISP (Internet Service Provider)**

A company providing access to Internet and other computer based information networks through its servers.

### **IT (Information Technology)**

The broad subject concerned with all aspects of managing and processing information, especially within a large organization or company.

### **ITI (Interactive Terminal Interface)**

A protocol that allows for the transfer of binary files between terminals across an X.25 network.

### **IVR (Interactive voice response)**

A telecommunications system that uses a pre-recorded database of voice messages to present options to a user, typically over telephone lines.

## K

### **Kbps (Kilobits Per Second)**

A data transmission rate. One Kbps equals 2(10) bps.

## L

### **LAN (Local Area Network)**

A short distance data transmission network designed to interconnect personal computers, workstations, minicomputers, file servers and other computing devices within a localized environment, for the purpose of sharing files, programs and various devices such as printers and high-speed modems. LANs may have a decentralized communications management or include dedicated computers or file servers that provide a centralized source of shared files and programs.

### **Leased line**

Voice and data circuits leased to connect two or more locations for the exclusive use of the subscriber.

### **Local Loop**

See “access channel”.

## M

### **MByte**

A unit of computer data commonly used to measure data storage or transfer.

### **Mbps (Megabits per Second)**

A data transmission rate. One Mbps equals 2(20) bps.

### **MHz (Megahertz)**

A measure of frequency. One MHz equals 1,000,000 cycles per second.

### **MMS (Multimedia Messaging Service)**

A standard defined for use in advanced wireless terminals that allows users to send and receive messages containing various kinds of multimedia content, such as images, audio and video clips, with a “non-real-time” transmission.

### **MNP (Mobile Number Portability)**

A service that allows customers to keep their mobile phone numbers when they change service providers.

### **MNS (Managed Network Services)**

The management and provision of operational support for a network environment while the network hardware and associated assets remain on the client’s books.

### **MoU (Minutes of Use)**

A measurement of customer activity. Average minutes of use per customer, usually presented on a monthly basis.

### **MVNO (Mobile Virtual Network Operator)**

A company that offers mobile services using another company’s network.

### **MPLS (Multiprotocol Label Switching)**

A standards-approved technology for speeding up network traffic flow and making it easier to manage. MPLS involves setting up a specific path for a given sequence of packets, identified by a label put in each packet, thus saving the time needed for a router to look up the address in order to forward the packet to the next node.

## N

### **Narrowband**

A channel that provides data transfer rates less than or equal to one voice-grade line. Contrast with broadband speeds of data transfer.

### **NGN (Next Generation Networks)**

IP/MPLS protocol-based digital packet-switched network.

### **NMT 450**

Nordic mobile telephone and one of the earliest first generation mobile networks that operated mostly in the 450 MHz band.

### **Node**

A network element that provides a point at which key telecommunications equipment or computers can access the network. In circuit networks, nodes are switching systems. In packet-switched networks they are often computers.

### **O**

### **On-Net**

Calls that stay on an operator's network or a customer private network from beginning to end.

### **P**

### **Packet switching**

A data transmission process, utilizing addressed packets, whereby a channel is occupied only for the duration of transmission of the packet.

### **PMR (Private Mobile Radio)/PAMR (Public Access Mobile Radio)**

A commercial service using trunking techniques in which multiple groups of users can set up their own closed systems within a shared public network.

### **PC (Personal Computer)**

A small digital computer based on a microprocessor and designed to be used by one person at a time.

### **Penetration Rate**

The total number of subscribers for a carrier divided by the population that it serves expressed as a percentage.

### **Point-to-Point**

A link from one user or network to another using a phone line.

### **PoP (Point of Presence)**

A site where there exists a collection of telecommunications equipment, usually modems, digital leased lines and multi-protocol routers.

### **Pulses**

A unit of measurement of billing intervals

### **Push-To-Talk**

Mobile phone technology that allows a mobile phone to be used for real-time one-to-one and one-to-many voice communication, typically requiring the speaker to push a button on the handset to be heard and to release the button to listen.

### **PSTN (Public Switched Telephone Network)**

The international telephone system based on copper wires carrying analog voice data. This is in contrast to newer telephone networks based on digital technologies, such as ISDN.

### **PTT**

The PTT is the General Directorate of Postal Telegraph and Telephone. Türk Telekom operated as part of the PTT from 1924 to 1995, when it was separated from the PTT and incorporated as a joint stock company under the Undersecretary of the Treasury.

### **R**

### **Registered line**

Registered line refers to a line with a valid and effective subscription agreement between the operator and the customer.

**Ringback**

When the customer gets a busy tone when calling a number, the caller is invited to punch R5. Once the called party's line is free, the service will call back the customer and will connect them.

**RLLO**

Türk Telekom's reference local loop offer. Türk Telekom is required by the Local Loop Unbundling Communiqué enacted on 1 July 2005 to publish a reference offer for access to its local loop. The reference local loop offer must be approved by the Telecommunications Authority every year. Türk Telekom submitted its RLLO for approval on 29 September 2005.

**Roaming**

The mobile telecommunications feature that permits subscribers of one network to use their mobile handsets and telephone numbers when in a region covered by another operator's network.

**Router**

An inter-network device that relays data packets to networks connected to the router based upon the destination address contained in those data packets being routed.

**S****SCT (Special Communications Tax)**

A tax imposed on all mobile communications services in Turkey to fund public works in the aftermath of the 1999 earthquake in Turkey's Marmara region. The tax was originally applicable through the end of 2000, but has been extended twice and on 1 January 2004 was made permanent when Law 5035 was enacted. The tax is paid by mobile customers and collected by mobile operators.

**SDH (Synchronous Digital Hierarchy)**

The European standard for high-speed digital transmission using fibre optic cables.

**SIM (Subscriber Identity Module)**

An electronic card inserted into a GSM phone that identifies the user account to the network, handles authentication and provides data storage for user data such as phone numbers and network information. It may also contain applications that run on the phone.

**SLA (Service Level Agreement)**

A contract between a network service provider and a customer that specifies, usually in measurable terms, what services, and in certain cases, the quality of such services that the network service provider will furnish.

**SMS (Short Message Service)**

A mobile communications system that allows users to send and receive alpha-numeric messages of up to 160 characters from one mobile handset to another via a short message service center.

**SOHO**

Small Office/Home Office.

**Switch**

A device used to set up and route telephone calls either to the number called or to the next switch along the path. They may also record information for billing and control purposes.

**T****Termination rate**

The interconnection fee received by an operator for incoming calls terminating on its network.

## U

### **UMTS (Universal Mobile Telecommunications System)**

The third-generation broadband mobile communications standard. UMTS utilizes Code Division Multiple Access, or CDMA, technology and has the speed and capacity to handle multimedia transmissions. A UMTS system offers mobile telephony, messaging services, wireless access to the Internet and other multi-media services at higher speeds than GSM systems.

### **USO (Universal Service Obligation)**

The obligation placed on Türk Telekom by the Universal Service Law enacted on 16 June 2005 to ensure that standard telephone services, pay phones and prescribed carriage services are reasonably accessible to all people in a particular region on an equitable basis, and with affordable pricing, wherever they reside or carry on business.

## V

### **Voicemail**

Any system for sending, storing and retrieving audio messages, similar to a telephone answering machine.

### **VoIP**

Voice over Internet Protocol, in which voice traffic is carried over Internet Protocol rather than a circuit-switched network.

### **VPN (Virtual Private Network)**

A data network that shares telecommunications infrastructure but acts as a secure private network, with an architecture based on the use of the TCP-IP (Time Compression Multiplexing—Internet Protocol).

## W

### **WAP (Wireless Application Protocol)**

A global open specification that supports Internet Protocols on wireless devices, such as mobile phones, two-way radios, smart phones and communicators, to easily access and interact with Internet-based services. With WAP, a mobile phone user can view mini-pages and interact with a small, multiple choice screen.

### **Wi-Fi (Wireless Fidelity)**

The generic term used to refer to any type of IEEE 802.11 radio frequency network, in which signals are sent over radio frequencies or infrared using wireless network cards and hubs to provide wireless network access.

### **WiMax (World Interoperability for Microwave Access)**

The successor to Wi-Fi. The generic term used to refer to any type of IEEE 802.16 radio frequency network, with a range of up to 80km and a bandwidth of up to 75bps.

### **WLAN**

A wireless network connecting two or more computers or other devices over a short distance, such as within an office, a home or a hot spot. Wi-Fi and its successor, WiMax, are examples of WLANs.

## X

### **X25**

A worldwide protocol for communications services using packet-switched networks.

### **xDSL**

Refers collectively to all types of digital subscriber lines, the two main categories being ADSL and SDSL. Two other types of xDSL technologies are High-data-rate DSL (HDSL) and Very high DSL (VDSL). DSL technologies use sophisticated modulation schemes to pack data onto copper wires. They are sometimes referred to as “last-mile technologies” because they are used only for connections from a telephone switching station to a home or office, not between switching stations.



## Investor Relations

Gayrettepe Mahallesi Yıldızposta Caddesi  
No: 40 Beşiktaş İstanbul/Türkiye  
T: (+90) 212 309 96 30 F: (+90) 212 352 96 10  
[www.turktelekom.com.tr](http://www.turktelekom.com.tr) | [www.ttinvestorrelations.com](http://www.ttinvestorrelations.com)  
[investorrelations@turktelekom.com.tr](mailto:investorrelations@turktelekom.com.tr)  
[twitter.com/ttkomir](https://twitter.com/ttkomir)

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