Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

31 December 2020

Consolidated Financial Statements

And Independent Auditor's Report

3 February 2021

This report contains 8 pages of "Independent Auditor's Report" and 120 pages of financial statements and explanatory notes.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020
(Currency in thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

(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 2020	31 December 2019
Assets			
Total current assets		**13.289.465**	**12.077.205**
Cash and cash equivalents	*4*	5.007.927	4.946.070
Trade receivables			
- *Trade receivables due from related parties*	*8*	15.334	11.793
- *Trade receivables due from unrelated parties*	*6*	6.187.294	5.756.202
Other receivables			
- *Other receivables due from unrelated parties*	*9*	68.396	75.875
Derivative financial assets			
- *Derivative financial assets held for trading*	*15*	958	–
- *Derivative financial assets held for hedging*	*15*	1.206.509	373.121
Inventories	*10*	248.966	252.042
Prepayments			
- *Prepayments to unrelated parties*	*13*	199.469	157.741
Current tax assets		63.684	114.529
Other current assets			
- *Other current assets due from unrelated parties*	*12*	253.567	352.471
		13.252.104	**12.039.844**
Non-current assets or disposal groups classified as held for sale	*17*	37.361	37.361
Total non-current assets		**31.433.055**	**27.832.081**
Financial investments			
- *Other financial investments*	*14*	17.956	14.693
Trade receivables			
- *Trade receivables due from unrelated parties*	*6*	281.442	236.402
Other receivables			
- *Other receivables due from unrelated parties*	*9*	32.825	35.529
Derivative financial assets			
- *Derivative financial assets held for trading*	*15*	32.710	35.401
Right of use assets	*7*	1.546.155	1.365.525
Investment property	*18*	17.612	17.699
Property, plant and equipment			
- *Land and premises*	*19*	5.894.276	5.428.051
- *Buildings*	*19*	574.312	569.472
- *Machinery and equipments*	*19*	9.201.422	8.033.542
- *Other property, plant and equipment*	*19*	394.901	678.594
Intangible assets			
- *Goodwill*	*16*	44.944	44.944
- *Rights regarding concession agreements*	*20*	5.107.436	3.860.337
- *Licences*	*20*	2.404.054	2.696.075
- *Other intangible assets*	*20*	4.581.021	3.726.441
Prepayments			
- *Prepayments to unrelated parties*	*13*	13.372	12.555
Deferred tax asset	*11*	1.288.525	1.076.742
Other non-current assets			
- *Other non-current assets due from unrelated parties*		92	79
Total assets		**44.722.520**	**39.909.286**

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

(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 2020**	**31 December 2019**
Liabilities			
Total current liabilities		**14.228.270**	**13.693.647**
Financial liabilities			
Financial liabilities from related parties			
- Bank loans	*5,8*	869.753	665.000
Financial liabilities from unrelated parties			
- Bank loans	*5*	1.913.477	656.487
- Lease liabilities	*5*	18.809	13.421
Current portion of long term financial liabilities			
Current portion of long term financial liabilities from unrelated parties			
- Bank loans	*5*	2.801.972	4.674.762
- Lease liabilities	*5*	413.791	326.743
- Issued debt instruments	*5*	97.808	72.568
Trade payables			
- Trade payables to related parties	*8*	–	87
- Trade payables to unrelated parties	*6*	5.293.521	4.391.610
Employee benefit obligations	*12*	199.768	190.217
Other payables			
- Other payables to related parties	*8*	–	205.066
- Other payables to unrelated parties	*9*	993.710	927.887
Derivative financial liabilities			
- Derivative financial liabilities held for trading	*15*	320.186	48.149
- Derivative financial liabilities held for hedging	*15*	47.533	489.204
Contract liabilities			
- Contract liabilities from sale of goods and service contracts	*13*	520.841	372.984
Current tax liabilities	*33*	172.456	75.238
Current provisions			
- Current provisions for employee benefits	*21*	276.460	223.552
- Other current provisions	*21*	166.944	227.548
Other current liabilities			
- Other current liabilities to unrelated parties	*12*	121.241	133.124
Total non-current liabilities		**18.456.874**	**16.772.786**
Long term financial liabilities			
Long term financial liabilities from unrelated parties			
- Bank loans	*5*	6.775.327	7.762.066
- Lease liabilities	*5*	905.086	800.597
- Issued debt instruments	*5*	7.438.569	5.811.511
Other payables			
- Other payables to unrelated parties	*9*	43.656	38.881
Derivative financial liabilities			
- Derivative financial liabilities held for hedging	*15*	347.286	173.362
Contract liabilities			
- Contract liabilities from sale of goods and service contracts	*13*	872.077	637.851
Non-current provisions			
- Non-current provisions for employee benefits	*21*	1.214.789	1.044.645
- Other non-current provisions	*21*	8.506	8.329
Deferred tax liabilities	*11*	715.133	380.175
Other non-current liabilities			
- Other non-current liabilities to unrelated parties	*12*	136.445	115.369

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

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

		Current period	Prior period
		Audited	**Audited**
	Notes	**31 December 2020**	**31 December 2019**
Equity		**12.037.376**	**9.442.853**
Equity attributable to owners of parent			
Issued capital	*22*	3.500.000	3.500.000
Inflation adjustments on capital	*22*	(239.752)	(239.752)
Share based payments (-)	*22, 23*	–	9.528
Other accumulated comprehensive income / (loss) that will not be reclassified in profit or loss			
Gains / (losses) on revaluation and remeasurement			
- Gains / (losses) on remeasurements of defined benefit plans	*22*	(782.420)	(692.610)
- Increases on revaluation of property, plant and equipment	*22*	4.766.342	4.351.897
Gains / (losses) due to change in fair value of financial liability attributable to change in credit risk of liability	*22*	(88.747)	(132.819)
Other reserves	*22*	(1.320.942)	(1.320.942)
Other accumulated comprehensive income / (loss) that will be reclassified in profit or loss			
Gains / (losses) on hedge			
- Gains / (losses) on cash flow hedges	*22*	(320.668)	(438.864)
- Gains / (losses) on hedges of net investment in foreign operations	*22*	(593.149)	(403.597)
Change in value of time value of options	*22*	(717.854)	(321.854)
Exchange differences on translation	*22*	721.066	471.382
Restricted reserves appropriated from profits		2.398.634	2.355.969
Prior years' profits or losses		1.536.993	(102.268)
Current period net profit		3.177.873	2.406.783
Total liabilities and equity		**44.722.520**	**39.909.286**

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Notes	Current Period Audited 1 January - 31 December 2020	Prior Period Audited 1 January - 31 December 2019
Revenue	*3, 27*	28.288.875	23.657.108
Cost of sales (-)	*28*	(15.105.955)	(12.298.492)
Gross profit		**13.182.920**	**11.358.616**
General administrative expenses (-)	*28*	(2.320.713)	(2.147.447)
Marketing, sales and distribution expenses (-)	*28*	(3.038.792)	(2.670.891)
Research and development expenses (-)	*28*	(247.105)	(166.491)
Other operating income	*30*	478.566	385.391
Other operating expense (-)	*30*	(591.362)	(510.759)
Operating profit		**7.463.514**	**6.248.419**
Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9, net		(278.652)	(192.525)
Investment activity income	*31*	377.848	214.111
Investment activity expenses (-)	*31*	–	(1.545)
Profit before financing expense		**7.562.710**	**6.268.460**
Finance income	*32*	998.337	855.042
Finance costs (-)	*32*	(4.759.106)	(4.388.744)
Profit from continuing operations, before tax	*3*	**3.801.941**	**2.734.758**
Tax (expense) / income, continuing operations			
- Current period tax expense	*33*	(373.748)	(205.975)
- Deferred tax (expense) / income	*11, 33*	(250.320)	(122.000)
Profit for the year		**3.177.873**	**2.406.783**
Earnings per shares attributable to equity holders of the parent from (in full Kuruş)	*22*	**0,9080**	**0,6877**
Earnings per diluted shares attributable to equity holders of the parent from (in full Kuruş)	*22*	**0,9080**	**0,6877**

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Notes	Current Period Audited 1 January - 31 December 2020	Prior Period Audited 1 January - 31 December 2019
Profit for the period		**3.177.873**	**2.406.783**
Other comprehensive income / expense			
Other comprehensive income that will not be reclassified to profit or loss		**235.972**	**(193.850)**
Gain from revaluation of property, plant and equipments, net	*19*	460.035	76.021
Losses on remeasurements of defined benefit plans	*21*	(111.790)	(79.715)
Change in fair value of financial liability attributable to change in credit risk of liability		(110.829)	(247.089)
Tax effect of other comprehensive income items not to be reclassified to profit or loss			
- Taxes relating to remeasurements of defined benefit plans	*11*	*21.980*	*15.455*
- Tax effect of revaluation of property, plant and equipment	*11*	*(45.590)*	*(7.940)*
- Taxes relating to change in fair value of financial liability attributable to change in credit risk of liability	*11*	*22.166*	*49.418*
Other comprehensive income that will be reclassified to profit or loss		**(217.672)**	**(223.683)**
Exchange differences on translation		249.684	54.144
Gains / (losses) on cash flow hedges		147.745	(316.852)
Gains / (losses) on hedges of net investments in foreign operations		(236.940)	(66.872)
Gains / (losses) on change in value of time value of options		(495.000)	36.441
Tax effect on other comprehensive income items to be reclassified to profit or loss			
- Taxes relating to cash flow hedges	*11*	*(29.549)*	*63.370*
- Taxes relating to losses on hedges of net investments in foreign operations	*11*	*47.388*	*13.374*
- Taxes relating to change in value of time value of options of other comprehensive (loss) / income	*11*	*99.000*	*(7.288)*
Other comprehensive (loss) / income		**18.300**	**(417.533)**
Total comprehensive income		**3.196.173**	**1.989.250**

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

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

				Other accumulated comprehensive income / (loss) that will not be reclassified in profit or loss				Other accumulated comprehensive income / (loss) that will be reclassified in profit or loss					Retained earnings / (losses)		
					Gains / (losses) on revaluation and re-measurement			Gains / (losses) on hedge							
	Issued capital	Inflation adjustments on capital	Share based payments	Other reserves	Increases on revaluation of property, plant and equipment	Losses on remeasurements of defined benefit plans	Gains / (losses) due to change in fair value of financial liability attributable to change in credit risk of liability	Gains / (losses) on hedges of net investment in foreign operations	Gains / (losses) on cash flow hedges	Change in value of time value of options	Exhange differences on translation	Restricted reserves appropriated from profits	Prior years' profit or losses	Current period net profit	Total Equity
Balance at 1 January 2019	**3.500.000**	**(239.752)**	**9.528**	**(1.320.942)**	**4.283.816**	**(628.350)**	**64.852**	**(350.099)**	**(185.382)**	**(351.007)**	**417.238**	**2.355.969**	**1.288.993**	**(1.391.261)**	**7.453.603**
Transfers	–	–	–	–	–	–	–	–	–	–	–	–	(1.391.261)	1.391.261	–
Total comprehensive income	–	–	–	–	68.081	(64.260)	(197.671)	(53.498)	(253.482)	29.153	54.144	–	–	2.406.783	1.989.250
Profit for period	–	–	–	–	–	–	–	–	–	–	–	–	–	*2.406.783*	*2.406.783*
Other comprehensive income	–	–	–	–	*68.081*	*(64.260)*	*(197.671)*	*(53.498)*	*(253.482)*	*29.153*	*54.144*	–	–	–	*(417.533)*
Balance at 31 December 2019	**3.500.000**	**(239.752)**	**9.528**	**(1.320.942)**	**4.351.897**	**(692.610)**	**(132.819)**	**(403.597)**	**(438.864)**	**(321.854)**	**471.382**	**2.355.969**	**(102.268)**	**2.406.783**	**9.442.853**
Balance at 1 January 2020	**3.500.000**	**(239.752)**	**9.528**	**(1.320.942)**	**4.351.897**	**(692.610)**	**(132.819)**	**(403.597)**	**(438.864)**	**(321.854)**	**471.382**	**2.355.969**	**(102.268)**	**2.406.783**	**9.442.853**
Transfers	–	–	–	–	–	–	–	–	–	–	–	42.665	2.364.118	(2.406.783)	–
Total comprehensive income	–	–	–	–	414.445	(89.810)	(88.663)	(189.552)	118.196	(396.000)	249.684	–	–	3.177.873	3.196.173
Profit for period	–	–	–	–	–	–	–	–	–	–	–	–	–	*3.177.873*	*3.177.873*
Other comprehensive income	–	–	–	–	*414.445*	*(89.810)*	*(88.663)*	*(189.552)*	*118.196*	*(396.000)*	*249.684*	–	–	–	*18.300*
Dividends paid (Note 22)	–	–	–	–	–	–	–	–	–	–	–	–	(601.650)	–	(601.650)
Transfer of gains / (losses) due to change in fair value of financial liability attributable to change in credit risk of liability fund to accumulated comprehensive income	–	–	–	–	–	–	132.735	–	–	–	–	–	(132.735)	–	–
Transfer of share based payments reserve to retained earnings	–	–	(9.528)	–	–	–	–	–	–	–	–	–	9.528	–	–
Balance at 31 December 2020	**3.500.000**	**(239.752)**	**–**	**(1.320.942)**	**4.766.342**	**(782.420)**	**(88.747)**	**(593.149)**	**(320.668)**	**(717.854)**	**721.066**	**2.398.634**	**1.536.993**	**3.177.873**	**12.037.376**

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Notes	Current Period Audited 1 January - 31 December 2020	Prior Period Audited 1 January - 31 December 2019
Net profit for the period		3.177.873	2.406.783
Adjustments to reconcile profit			
Adjustments for depreciation and amortisation expense	*29*	5.318.992	4.715.985
Adjustments for impairment loss / (reversal of impairment loss)			
- Adjustments for impairment loss of receivables		*269.577*	*253.964*
- Adjustments for impairment loss of inventories		*7.316*	*(3.867)*
- Adjustments for impairment loss of property, plant and equipment	*29*	*56.292*	*29.981*
- Other adjustments for impairment loss (reversal of impairment loss)		*9.075*	*(63.642)*
Adjustments for provisions			
- Adjustments for (reversal of) provisions related with employee benefits	*21*	*480.329*	*474.766*
- Adjustments for (reversal of) lawsuit and/or penalty provisions	*21*	*57.923*	*51.597*
- Adjustments for (reversal of) other provisions	*21*	*177*	*162*
Adjustments for interest expenses and income			
- Adjustments for interest income		*(251.869)*	*(360.169)*
- Adjustments for interest expense		*2.301.261*	*2.280.196*
- Deferred financial expenses from credit purchases		*72.353*	*55.761*
Adjustments for unrealised foreign exchange losses		2.039.315	1.612.395
Adjustments for fair value losses / (gains)			
- Adjustments for fair value (gains) / losses on derivative financial instruments	*32*	*141.001*	*308.506*
- Adjustments for fair value losses / (gains) of issued financial instruments		*(399)*	*141.109*
Adjustments for tax expense / (income)	*33*	624.068	327.975
Adjustments for losses / (gains) on disposal of non-current assets			
- Adjustments for gains arised from sale of tangible assets	*31*	*(377.848)*	*(212.566)*
Other adjustments for which cash effects are investing or financing cash flow		81.056	72.511
Other adjustments for non-cash items	*25*	(212.258)	(117.704)
Operating profit before working capital changes		**13.794.234**	**11.973.743**
Changes in working capital			
Adjustments for (increase) / decrease in trade receivables			
- (Increase) / decrease in trade receivables from related parties		*(3.541)*	*(1.304)*
- (Increase) / decrease in trade receivables from unrelated parties		*(772.902)*	*(982.508)*
Adjustments for (increase) / decrease in inventories		(4.240)	677
Adjustments for increase / (decrease) in trade payable			
- Increase / (decrease) in trade payables to related parties		*(87)*	*(23)*
- Increase / (decrease) in trade payables to unrelated parties		*1.028.656*	*533.619*
Adjustments for (increase) / decrease in other receivables related with operations			
- (Increase) / decrease in other unrelated party receivables related with operations		*76.642*	*(41.742)*
Adjustments for increase / (decrease) in other operating payables related with operations			
- Increase / (decrease) in other payables related with operations to unrelated parties		*238.220*	*68.477*
Cash flow from operations			
Interest received		124.903	150.780
Payments related with provisions for employee benefits	*21*	(380.203)	(423.724)
Payments related with other provisions	*21*	(128.077)	(6.404)
Income taxes paid		(225.685)	(156.928)
Other inflows of cash	*25*	(109.402)	68.032
Net cash generated from operating activities		**13.638.518**	**11.182.695**

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Notes	Current Period	Prior Period
		Audited	**Audited**
	Notes	**1 January - 31 December 2020**	**1 January - 31 December 2019**
Cash flows used in investing activities			
Cash outflows arising from capital advance payments to associates and/or joint ventures	*14*	(3.263)	(2.698)
Cash outflows from purchase of additional shares of subsidiaries		(205.000)	(205.000)
Proceeds from sale of property, plant, equipment and intangible assets			
- Proceeds from sales of property, plant and equipment		*407.862*	*346.579*
Purchases of property, plant, equipment and intangible assets			
- Purchase of property, plant and equipment		*(3.045.870)*	*(2.314.843)*
- Purchase of intangible assets		*(3.916.197)*	*(2.630.700)*
Net cash used in investing activities		**(6.762.468)**	**(4.806.662)**
Cash flows from financing activities			
Proceed from borrowings			
- Proceeds from loans		*3.248.316*	*1.519.235*
- Proceeds from issued debt instruments		*150.000*	*2.623.982*
Repayments of borrowings			
- Loan repayments		*(7.920.581)*	*(4.523.608)*
- Payment of issued of debt instruments		*–*	*(3.059.616)*
Payments of lease liabilities, net	*25*	(865.728)	(788.732)
Cash inflows / (outflows) from derivative instruments, net	*25*	977.277	220.164
Dividends paid	*22*	(601.650)	–
Interest paid		(2.063.049)	(2.029.859)
Interest received		126.966	209.389
Other cash outflows, net	*25*	(81.056)	(72.471)
Net cash used in financing activities		**(7.029.505)**	**(5.901.516)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES		(153.455)	474.517
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES IN CASH AND CASH EQUIVALENTS		105.914	45.049
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		4.417.658	3.898.092
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	***4***	**4.370.117**	**4.417.658**

1. REPORTING ENTITY

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

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

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

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

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

As at 31 December 2020, the parent company and controlling party of the Company is LYY Telekomünikasyon A.Ş.

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

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

(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 2020 and 31 December 2019 are as follows:

Name of Subsidiary	Place of incorporation and operation	Principal activity	Functional Currency	Effective ownership of the Company (%) 31 December 2020	31 December 2019
TTNet Anonim Şirketi ("TTNet")	Turkey	Internet service provider	Turkish Lira	100	100
TT Mobil İletişim Hizmetleri A.Ş.("TT Mobil")	Turkey	GSM operator	Turkish Lira	100	100
Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret Anonim Şirketi("Argela")	Turkey	Telecommunication solutions	Turkish Lira	100	100
Innova Bilişim Çözümleri Anonim Şirketi ("Innova")	Turkey	Telecommunication solutions	Turkish Lira	100	100
Assistt Rehberlik ve Müşteri Hizmetleri Anonim Şirketi ("AssisTT")	Turkey	Call center and customer relations	Turkish Lira	100	100
Sebit Eğitim ve Bilgi Teknolojileri A.Ş.("Sebit")	Turkey	Web Based Learning	Turkish Lira	100	100
NETSIA Inc.	USA	Telecommunications solutions	U.S. Dollar	100	100
Sebit LLC	USA	Web based learning	U.S. Dollar	100	100
TT International Holding B.V.("TT International") (*)	Netherlands	Holding company	Euro	100	100
Türk Telekom International AT GmbH ("TTINT Austria")(*)	Austria	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International Hu Kft (TTINT Hungary)(*)	Hungary	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
S.C. Euroweb Romania S.A.("TTINT Romania") (*)	Romania	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International Bulgaria EODD ("TTINT Bulgaria")(*)	Bulgaria	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International CZ s.r.o ("TTINT Czech Republic") (*)	Czech Republic	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International SRB d.o.o ("TTINT Serbia") (*)	Serbia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
TTINT Telekomunikacije d.o.o. ("TTINT Slovenia") (*)	Slovenia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International SK s.r.o ("TTINT Slovakia") (*)	Slovakia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
TT International Telekomünikasyon Sanayi ve Ticaret Limited Şirketi ("TTINT Turkey") (*)	Turkey	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International UA LLC ("TTINT Ukraine") (*)	Ukraine	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International Italy S.R.L. (TTINT Italy) (*)	Italy	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
TTINT International MK DOOEL ("TTINT Macedonia") (*)	Macedonia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International RU LLC ("TTINT Russia") (*)	Russia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekomunikasyon Euro Gmbh. in Liquidation ("TT Euro") (*)	Germany	Mobil service marketing	Euro	100	100
Türk Telekom International d.o.o.(*)	Croatia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International HK Limited (*)	Hong Kong	Internet/data services, infrastructure and wholesale voice services provider	H.K. Dollar	100	100
Net Ekran TV ve Medya Hiz. A.Ş. ("Net Ekran")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
TTES Elektrik Tedarik Satış A.Ş.("TTES")	Turkey	Electrical energy trading	Turkish Lira	100	100
TT Ödeme ve Elektronik Para Hizmetleri A.Ş	Turkey	Mobile finance	Turkish Lira	100	100
Net Ekran1 TV ve Medya Hiz. A.Ş. ("Net Ekran1")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran2 TV ve Medya Hiz. A.Ş. ("Net Ekran2")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran3 TV ve Medya Hiz. A.Ş. ("Net Ekran3")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran4 TV ve Medya Hiz. A.Ş. ("Net Ekran4")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran5 TV ve Medya Hiz. A.Ş. in Liquidation ("Net Ekran5")(***)	Turkey	Television and radio broadcasting	Turkish Lira	-	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. in Liquidation ("Net Ekran7") (***)	Turkey	Television and radio broadcasting	Turkish Lira	-	100
Net Ekran8 TV ve Medya Hiz. A.Ş. in Liquidation ("Net Ekran8") (***)	Turkey	Television and radio broadcasting	Turkish Lira	-	100
Net Ekran9 TV ve Medya Hiz. A.Ş. in Liquidation ("Net Ekran9") (***)	Turkey	Television and radio broadcasting	Turkish Lira	-	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. in Liquidation ("Net Ekran12") (***)	Turkey	Television and radio broadcasting	Turkish Lira	-	100
Net Ekran13 TV ve Medya Hiz. A.Ş. in Liquidation ("Net Ekran13") (***)	Turkey	Television and radio broadcasting	Turkish Lira	-	100
Net Ekran14 TV ve Medya Hiz. A.Ş. in Liquidation ("Net Ekran14") (***)	Turkey	Television and radio broadcasting	Turkish Lira	-	100
Net Ekran15 TV ve Medya Hiz. A.Ş. in Liquidation ("Net Ekran15") (***)	Turkey	Television and radio broadcasting	Turkish Lira	-	100
Net Ekran16 TV ve Medya Hiz. A.Ş. in Liquidation ("Net Ekran16") (***)	Turkey	Television and radio broadcasting	Turkish Lira	-	100
11818 Rehberlik ve Müşteri Hizmetleri A.Ş. in Liquidation ("11818")	Turkey	Call center and customer relations	Turkish Lira	100	100
TT Satış ve Dağıtım Hizmetleri Anonim Şirketi	Turkey	Selling and Distribution Services	Turkish Lira	100	100
TT Ventures Proje Geliştirme A.Ş.	Turkey	Corporate Venture Capital	Turkish Lira	100	100
TT Destek Hizmetleri A.Ş (**)	Turkey	Provider of combined facilities support activities	Turkish Lira	100	-

(*) Hereinafter, will be referred as TTINT Group.
(**)On 16 January 2020, the Company established a new subsidiary in Turkey named TT Destek Hizmetleri A.Ş to provide combined facilities support activities.
(***)Net Ekran 5,7,8,9,12,13,14,15,16 TV ve Medya Hiz. A.Ş. in Liquidation was dissolved on 8 December 2020.

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

1. REPORTING ENTITY (CONTINUED)

The details of the Company's joint operation as at 31 December 2020 and 31 December 2019 are as follows:

				Effective ownership of the Company (%)	
Name of Joint Operation	**Place of incorporation and operation**	**Principal activity**	**Functional Currency**	**31 December 2020**	**31 December 2019**
TT Mobil-Vodafone Evrensel İş Ortaklığı	Turkey	Internet/data services, infrastructure and wholesale voice services provider	Turkish Lira	51	51

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

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

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

The number of personnel subject to collective agreement as at 31 December 2020 is 10.063 (31 December 2019: 10.211) and the number of personnel not subject to collective agreement as at 31 December 2020 is 24.685 (31 December 2019: 21.969). The total number of personnel as at 31 December 2020 and 31 December 2019 are 34.748 and 32.180, respectively.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation of the consolidated financial statements

a) Statement of compliance with TAS

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

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

Approval of the financial statements:

The consolidated financial statements are approved by the Company's Board of Directors on 3 February 2021.

b) Correction of financial statements during the hyperinflationary periods

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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

c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the property, plant and equipment other than lands and investment property acquisitions prior to 1 January 2000 for which the deemed cost method was applied in accordance with TAS 29 "Financial Reporting in Hyperinflationary Economies", lands, derivative financial instruments, issued debt instruments which have been measured at fair value through profit or loss. Investment properties and tangible assets other than lands which are recognized with deemed cost method are valued with fair values as of 1 January 2000, lands accounted as property, plant and equipment, derivative financial instruments and issued debt instruments which have been measured at fair value through profit or loss, are valued with fair values as of balance sheet date. The methods used in fair value measurement are also specified in note 2.3 (t).

d) Functional and presentation currency

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

Functional currencies of the subsidiaries and Company's joint operation are presented in Note 1.

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

Additional paragraph for convenience translation to English:

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

2.2 Basis of consolidation

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

a) Subsidiaries

As at 31 December 2020, 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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Basis of consolidation (continued)

a) Subsidiaries (continued)

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

b) Business combinations

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

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

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

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Basis of consolidation (continued)

c) Transactions eliminated on consolidation

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

d) Foreign currency

i) Foreign currency transactions

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

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

ii) Foreign operations

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

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Basis of consolidation (continued)

d) Foreign currency (continued)

ii) Foreign operations (continued)

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

	Average		Period end	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
EUR / TL	8,0140	6,3480	9,0079	6,6506
USD / TL	7,0034	5,6711	7,3405	5,9402

iii) Hedge of net investment in a foreign operation

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

2.3 Summary of significant accounting policies

a) Financial instruments

i. Recognition and initial measurement

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

Financial assets

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

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

a) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial assets (continued)

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. The Group holds 6,84 % of shares of Cetel as equity investment and has elected to present changes in fair value of Cetel in other comprehensive income. Cost of Cetel is used as a measure for its fair value since management has insufficient more recent information to measure fair value.

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

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

Financial assets: Business model assessment

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

a) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial assets: Business model assessment (continued)

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

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

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

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

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

a) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial assets: Subsequent measurement and gains and losses

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

a) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial liabilities: Classification, subsequent measurement and gains and losses

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

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

Non-derivative financial liabilities

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

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

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

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

a) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Non-derivative financial liabilities (continued)

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

iii. Derecognition

Financial assets

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

Financial liabilities

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

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

iv. Offsetting

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

v. Impairment

Financial instruments and contract assets

The Group recognizes loss allowances for ECLs on:

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

a) Financial instruments (continued)

v. Impairment (continued)

Financial instruments and contract assets (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

a) Financial instruments (continued)

v. Impairment (continued)

Measurement of ECLs

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

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

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

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

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

Credit-impaired financial assets

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

a) Financial instruments (continued)

v. Impairment (continued)

Presentation of impairment in the statement of financial position

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

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

Write-off

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

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

vi. Derivative financial instruments

Cash flow hedges

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

vi. Derivative financial instruments (continued)

Cash flow hedges (continued)

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

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

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

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

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

b) Property, plant and equipment

i) Recognition and measurement

Property, plant and equipment ("PPE") of the Group other than lands is carried at cost less accumulated depreciation and any accumulated impairment losses. The Group elected to measure property, plant and equipment of the Company on a deemed cost basis in the first period of application of TAS 29 "Financial Reporting in Hyper Inflationary Economy" since detailed records of the acquisition date and costs of items of PPE were not available for the Company prior to 1 January 2000. The deemed cost values for buildings as at 1 January 2000 were appraised by CMB licensed real-estate valuation companies. The network equipment and vehicles values were appraised by Detecon International GmbH (a subsidiary of Deutsche Telecom AG). Other than the PPE for which cost was determined on a deemed cost basis, the cost of PPE generally comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. PPE that are recognized at deemed cost basis or at cost are restated for the effects of inflation until 31 December 2004 in accordance with TAS 29.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

b) Property, plant and equipment (continued)

i) Recognition and measurement (continued)

Revaluations are performed in regular intervals depending on the changes in fair values of the items of lands being revalued. The increase in carrying amount of lands as a result of revaluation is recognized in components of other comprehensive income component. When land's carrying amount declines as a result of a revaluation, this declined amount is recognized in profit or loss. However, the decline shall be recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus. Thus, the relevant decline reduces the accumulated amount in equity under the heading of revaluation surplus.

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.

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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies (continued)

b) Property, plant and equipment (continued)

iii) Depreciation

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

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

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

Useful lives and residual values are reviwed 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 6 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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies (continued)

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.

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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies (continued)

c) Intangible assets (continued)

ii) Other intangible assets

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

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

Changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated income statement. The amortization periods for intangible assets are between 3 and 25 years. The remaining useful lives of the intangible items are limited to the concession period. Considering the Concession Agreement, the remaining useful lives of intangible assets are 6 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.

iv) TV contents

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 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 6 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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies (continued)

f) Leases

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

g) Inventory

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

h) Impairment

Non-financial assets

Property, plant and equipment

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

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

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

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

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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

h) Impairment (continued)

Non-financial assets (continued)

<u>Goodwill (continued)</u>

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

i) Reserve for employee severance indemnity

Payments to defined contribution retirement benefit plans are charged as an expense in the year in which the contributions relate to. Payments made to the Social Security Institution of Turkey and Turkish Republic Retirement Fund are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan. The Group pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense in the period to which the employees' service relates.

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

a) The date of the change or reduction in the plan, and

b) The date of the recognition of the related restructuring costs (see: TAS 37) or the benefits deriving from the termination of the employment contract,

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

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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

k) Contingent assets and liabilities

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

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

l) Related parties

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

if that person:

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies (continued)

m) Revenue

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

i) Fixed line revenues

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

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

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

ii) Mobile revenues

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

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

iii) Equipment sale revenues

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Significant accounting policies (continued)

m) Revenue (continued)

iv) TV revenues

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

v) Subscriber acquisition costs

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

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

vi) Significant financing component

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

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

n) Income from investing activities and expense from investing activities

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies (continued)

o) Financial income and financial expenses

The Group's finance income and finance costs include:

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

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

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

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

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

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

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

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

p) Earnings per share

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

r) Taxes

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies (continued)

r) Taxes (continued)

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.

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.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies (continued)

r) Taxes (continued)

iii) Tax exposures

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

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

s) Segment reporting

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

t) Determination of fair values

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

i) Trade and other receivables

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

ii) Derivatives

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

iii) Issued debt instruments

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies (continued)

t) Determination of fair values (continued)

iv) Other non-derivative financial liabilities

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

v) Lands

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

Standards issued but not yet effective and not early adopted as of 31 December 2020

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however, the Group has not early adopted are as follows.

Classification of Liabilities as Current or Non-current (Amendments to TAS 1)

On 23 January 2020, IASB issued "Classification of Liabilities as Current or Non-Current" which amends IAS 1 Presentation of Financial Statements to clarify its requirements for the presentation of liabilities in the statement of financial position which are issued by POA on 12 March 2020 as amendments to TAS 1.

The amendments clarify one of the criteria in TAS 1 for classifying a liability as non-current that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments include:

(a) Specifying that an entity's right to defer settlement must exist at the end of the reporting period;

(b) Clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;

(c) Clarifying how lending conditions affect classification; and

(d) Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies (continued)

Standards issued but not yet effective and not early adopted as of 31 December 2020 (continued)

Classification of Liabilities as Current or Non-current (Amendments to TAS 1) (continued)

The Group shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. However, the amendment published on 15 July 2020, IASB decided to defer the effective date of IAS 1 until 1 January 2023.

The Group does not expect that application of these amendments to IAS 1 will have significant impact on its consolidated financial statements.

Covid-19 related rent concession (Amendments to TFRS 16)

In May 2020, IASB issued Covid-19 related rent concession which amends TFRS 16 Leases which is issued by POA on 5 June 2020.

The amendments allow lessees not to account for rent concessions as lease modifications if they arise as a direct consequence of COVID-19.

The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021
- no other substantive changes have been made to the terms of the lease.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

The Group shall apply these amendments for annual periods beginning on or after 1 June 2020 with earlier application permitted.

Reference to the Conceptual Framework (Amendments to TFRS 3)

In May 2020, IASB issued Reference to the Conceptual Framework, which made amendments to TFRS 3 Business Combinations.

The amendments updated TFRS 3 by replacing a reference to an old version of the Board's Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

Property, Plant and Equipment Proceeds before Intended Use (Amendments to TAS 16)

In May 2020, IASB issued Property, Plant and Equipment Proceeds before Intended Use, which made amendments to TAS 16 Property, Plant and Equipment. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies (continued)

Standards issued but not yet effective and not early adopted as of 31 December 2020 (continued)

Property, Plant and Equipment Proceeds before Intended Use (Amendments to TAS 16) (continued)

The amendments improve transparency and consistency by clarifying the accounting requirements specifically, the amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

Onerous Contracts Cost of Fulfilling a Contract (Amendments to TAS 37)

In May 2020, IASB issued Onerous Contracts Cost of Fulfilling a Contract, which made amendments to TAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

IASB developed amendments to TAS 37 to clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

Annual Improvements to TFRS Standards 2018–2020

Improvements to TFRSs

IASB issued Annual Improvements to TFRSs 2018–2020 Cycle for applicable standards in May 2020. The amendments are effective as of 1 January 2022. Earlier application is permitted. The Group does not expect that application of these improvements to TFRSs will have significant impact on its consolidated financial statements.

TFRS 1 First-time Adoption of International Financial Reporting Standards

This amendment simplifies the application of TFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts TFRS Standards later than its parent and applies TFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to TFRS Standards. This amendment will ease transition to TFRS Standards for subsidiaries applying this optional exemption by i) reducing undue costs; and ii) avoiding the need to maintain parallel sets of accounting records.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies (continued)

Annual Improvements to TFRS Standards 2018–2020 (continued)

Improvements to TFRSs (continued)

TFRS 9 Financial Instruments

This amendment clarifies that – for the purpose of performing the ''10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

TFRS 16 Leases, Illustrative Example 13

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive. It will help to remove the potential for confusion in identifying lease incentives in a common real estate fact pattern.

IBOR Reform and its Effects on Financial Reporting Phase 2

In August 2020, IASB issued amendments which is issued by POA in 18 December 2020 that complement those issued in 2019 and focus on the effects of the interest rate benchmark reform on a company's financial statements that arise when, for example, an interest rate benchmark used to calculate interest on a financial asset is replaced with an alternative benchmark rate.

The Phase 2 amendments, Interest Rate Benchmark Reform—Phase 2, address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues). In 2019, the Board issued its initial amendments in Phase 1 of the project.

The objectives of the Phase 2 amendments are to assist companies in:

- applying TFRS Standards when changes are made to contractual cash flows or hedging relationships because of the interest rate benchmark reform; and
- providing useful information to users of financial statements.

In Phase 2 of its project, the Board amended requirements in TFRS 9 Financial Instruments, TAS 39 Financial Instruments: Recognition and Measurement, TFRS 7 Financial Instruments: Disclosures, TFRS 4 Insurance Contracts and TFRS 16 Leases relating to:

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities;
- hedge accounting; and
- disclosures.

The Phase 2 amendments apply only to changes required by the interest rate benchmark reform to financial instruments and hedging relationships.

Amendments are effective on 1 January 2020

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2022

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies (continued)

IBOR Reform and its Effects on Financial Reporting Phase 2 (continued)

Amendments are effective on 1 January 2020 (continued)

The changes that become effective as of January 1, 2020 are as follows:

1) The revised Conceptual Framework (Version 2018)

2) Amendments to TFRS 3 - Definition of a Business

The application of the amendment in TFRS 3 did not have a significant impact on the consolidated financial statements of the Group.

3) Amendments to TAS 1 and TAS 8 - Definition of Material

The application of the amendment to TAS 1 and TAS 8 does not have a significant impact on the consolidated financial statements of the Group.

4) Interest Rate Benchmark Reform (Amendments to TFRS 9, TAS 39 and TFRS 7)

The application of this amendment is not expected to have a significant impact on the consolidated financial statements of the Group.

2.4 Significant accounting assessments, estimates and assumptions

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

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

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

- 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 TT Mobil is primarily responsible for providing the service, has credit and inventory risk and determinant in setting prices; starting from April 2010, TT Mobil recognizes prepaid card incomes on a gross basis.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Significant accounting assessments, estimates and assumptions (continued)

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 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:

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

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

a) The Company assesses that approximately 30% of the foreseen network investments related to the replacement of the network equipment which are reclassified to intangible assets and which are then recognized in the financial statements as intangible assets are the contractual replacements as required by the concession agreement. The Group has provided a provision amounting to TL 8.506 (31 December 2019: TL 8.329) (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 2020 that will be realized in the future. Discount rate used in the provision calculation is determined as 17,0% (31 December 2019: 19,10%).

b) In accordance with TFRS Interpretation 12, the Company has determined the cost of the investments in intangible assets recognized under the scope of TFRS Interpretation 12 by adding the profit margin, which is applied in the market for similar construction services, to the cost of acquiring the related network equipment. The estimated profit margin used in construction services provided in exchange for concession right is 13% (31 December 2019: 13%) for the year ended as of 31 December 2020. The profit margin of property, plant and equipment accounted within the scope of TFRS Interpretation 12 amounting to TL 1.846.539 (31 December 2019: TL 1.023.117) (Note 20) is TL 212.258 for the year ended as of 31 December 2020 (31 December 2019: TL 117.704) (Note 3).

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Significant accounting assessments, estimates and assumptions (continued)

Key sources of estimation uncertainty (continued)

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

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

There are other estimations made by the management during the determination of provisions for litigations (Note 24).

3. SEGMENT REPORTING

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

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

3. SEGMENT REPORTING (CONTINUED)

	Fixed line		Mobile		Intra-group eliminations and consolidated adjustments		Consolidated	
	1 January - 31 December 2020	1 January - 31 December 2019	1 January - 31 December 2020	1 January - 31 December 2019	1 January - 31 December 2020	1 January - 31 December 2019	1 January - 31 December 2020	1 January - 31 December 2019
Revenue	20.554.774	16.358.177	9.902.043	8.956.853	(2.167.942)	(1.657.922)	28.288.875	23.657.108
Contributive revenue (*)	18.432.126	14.779.763	9.856.749	8.877.345	–	–	28.288.875	23.657.108
EBITDA	10.455.268	8.341.206	2.838.071	2.836.232	(56.427)	(7.534)	13.236.912	11.169.904
Contributive adjusted EBITDA (**)	8.987.131	7.348.135	4.249.781	3.821.769	–	–	13.236.912	11.169.904
Capital expenditure (***)	4.498.761	3.284.037	2.257.243	1.668.388	(17.045)	(12.816)	6.738.959	4.939.609

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

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

(***) Capital expenditures do not include TL 212.258 (31 December 2019: TL 117.704) amounted profit margin which is capitalized on intangible assets that are accounted within the scope of TFRS Interpretation 12.

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

3. SEGMENT REPORTING (CONTINUED)

	1 January - 31 December 2020	1 January - 31 December 2019
Fixed line contributive EBITDA	8.987.131	7.348.135
Mobile contributive EBITDA	4.249.781	3.821.769
EBITDA	**13.236.912**	**11.169.904**
Foreign exchange gains, interest income, discount income on current accounts presented in other operating income	143.508	152.637
Foreign exchange losses, interest income, discount income on current accounts presented in other operating expense (-)	(442.426)	(308.115)
Financial income	998.337	855.042
Financial expense (-)	(4.759.106)	(4.388.744)
Depreciation, amortisation and impairment	(5.375.284)	(4.745.966)
Consolidated profit before tax	**3.801.941**	**2.734.758**

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

31 December 2019	**Fixed Line**	**Mobile**	**Eliminations**	**Consolidated**
Total segment assets	29.529.061	11.266.952	(886.727)	39.909.286
Total segment liabilities	(27.160.226)	(4.184.931)	878.724	(30.466.433)

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

4. CASH AND CASH EQUIVALENTS

	31 December 2020	**31 December 2019**
Cash on hand	301	196
Cash at banks– demand deposit	747.659	663.895
Cash at banks– time deposit	4.259.967	4.281.269
Other	–	710
	5.007.927	**4.946.070**

As of 31 December 2020, time deposits are all short-term, maturing within one month and denominated in both foreign currencies and TL. The interest rates are between 5,50% and 18,75% for TL deposits, between 0,05% and 3,30% for USD deposits and between 0,85% and 2,90% for EUR deposits (31 December 2019: for TL deposits between 7,00% and 12,50%, for USD deposits between 0,10% and 3,60%, for EUR deposits between 0,05% and 1,15%).

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

	31 December 2020	**31 December 2019**
Cash and cash equivalents	5.007.927	4.946.070
Less: restricted amounts		
- Collection protocols and ATM collection	(362.378)	(298.342)
- Other	(275.432)	(230.070)
Unrestricted cash	**4.370.117**	**4.417.658**

As of 31 December 2020, demand deposits amounting to TL 362.378 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 2020, other restricted amounts mainly consist of blocked deposits related to Türk Telekom's derivative financial instruments.

As of 31 December 2020, the Group has bank loans amounting to USD 100.000 having maturity date on 1 June 2021, USD 189.000 having maturity date on 30 March 2023 and EUR 30.000 having maturity date on 30 June 2021, which have been committed to banks and have not been utilized yet.

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

5. FINANCIAL LIABILITIES

Bank borrowings

	31 December 2020			31 December 2019		
	Weighted average nominal interest rate (%)	**Original amount**	**TL equivalent**	**Weighted average nominal interest rate (%)**	**Original amount**	**TL equivalent**
Short-term bank loans:						
Unsecured TL bank loans with fixed interest rates	9,76	2.631.145	2.631.145	10,77	1.241.601	1.241.601
Unsecured USD bank loans with fixed interest rates	–	–	–	2,55	13.000	77.223
Unsecured Yuan bank borrowings with variable interest rates (***)	4,27	43.986	49.185	–	–	–
Interest accruals:						
Unsecured TL bank loans with fixed interest rates		102.016	102.016		2.542	2.542
Unsecured USD bank loans with fixed interest rates		–	–		20	121
Unsecured Yuan bank borrowings with variable interest rates (***)		790	884		–	–
Short-term bank loans			**2.783.230**			**1.321.487**
Short-term portion of long-term bank loans:						
Unsecured USD bank loans with fixed interest rates	–	–	–	3,15	4.726	28.076
Unsecured USD bank loans with variable interest rates(*)	2,22	255.884	1.878.316	4,01	472.182	2.804.854
Unsecured EUR bank loans with variable interest rates (**)	0,89	99.624	897.406	1,18	263.977	1.755.608
Interest accruals of long-term bank loans:						
Unsecured USD bank loans with fixed interest rates		–	–		6	37
Unsecured USD bank loans with variable interest rates (*)		3.048	22.376		13.362	79.370
Unsecured EUR bank loans with variable interest rates (**)		430	3.874		1.025	6.817
Current portion of long-term bank loans			**2.801.972**			**4.674.762**
Total short-term bank loans			**5.585.202**			**5.996.249**
Long-term bank loans:						
Unsecured USD bank loans with variable interest rates (*)	2,22	508.061	3.729.425	4,01	890.624	5.290.486
Unsecured EUR bank loans with variable interest rates (**)	0,89	338.137	3.045.902	1,18	371.633	2.471.580
Total long-term bank loans			**6.775.327**			**7.762.066**
Total bank loans			**12.360.529**			**13.758.315**

(*) As at 31 December 2020, interest rate varies between Libor 0,54% and 2,85% (31 December 2019: Libor + 0,54% and 3,40%)
(**) As at 31 December 2020, interest rate varies between Euribor 0,25% and 2,00% (31 December 2019: Euribor + 0,25% and 2,60%)
(**) As at 31 December 2020, interest rate Shibor 2,00% (31 December 2019: Nil)

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

5. FINANCIAL LIABILITIES (CONTINUED)

Bank borrowings (continued)

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

	31 December 2020						31 December 2019					
	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**
Unsecured TL bank borrowings with fixed interest rates	1.307.745	1.425.416	–	–	–	2.733.161	1.235.790	8.353	–	–	–	1.244.143
Unsecured USD bank borrowings with fixed interest rates	–	–	–	–	–	–	77.344	28.113	–	–	–	105.457
Unsecured USD bank borrowings with variable interest rates	805.564	1.095.128	2.088.376	1.616.581	24.468	5.630.117	736.470	2.147.754	1.640.768	3.409.215	240.503	8.174.710
Unsecured EUR bank borrowings with variable interest rates	36.104	865.176	829.850	1.937.276	278.776	3.947.182	28.590	1.733.835	602.137	1.290.504	578.939	4.234.005
Unsecured Yuan bank borrowings with variable interest rates	850	49.219	–	–	–	50.069	–	–	–	–	–	–
	2.150.263	**3.434.939**	**2.918.226**	**3.553.857**	**303.244**	**12.360.529**	**2.078.194**	**3.918.055**	**2.242.905**	**4.699.719**	**819.442**	**13.758.315**

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

5. FINANCIAL LIABILITIES (CONTINUED)

Issued debt instruments

	31 December 2020			31 December 2019		
	Weighted average nominal interest rate (%)	Original amount	TL equivalent	Weighted average nominal interest rate (%)	Original amount	TL equivalent
Interest accruals of short-term portion of long-term issued debt instruments:						
TL issued debt instruments with variable interest rates		1.308	1.308		–	–
USD issued debt instruments with fixed interest rates		13.146	96.500		12.216	72.568
Short-term issued debt instruments			**97.808**			**72.568**
Long-term issued debt instruments:						
TL issued debt instruments with variable interest rates	17,44	149.711	149.711	–	–	–
USD issued debt instruments with fixed interest rates	5,88	992.965	7.288.858	5,88	978.336	5.811.511
Long-term issued debt instruments			**7.438.569**			**5.811.511**
Total issued debt instruments			**7.536.377**			**5.884.079**

The sales process of the bond issuances amounted to USD 500.000 with 6 years of maturity, and 6,875% coupon rate based on 7% reoffer yield was completed on February 28th, 2019. The bonds are now quoted at Irish Stock Exchange.

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

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

The contractual maturities of issued long term issued debt instruments in equivalent of TL are as follows:

	31 December 2020					31 December 2019				
	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
TL issued debt instruments with variable interest rates	1.308	-	149.711	-	151.019	-	-	-	-	-
USD issued debt instruments with fixed interest rates	96.500	-	7.288.858	-	7.385.358	72.568	-	2.876.254	2.935.257	5.884.079
	97.808	-	**7.438.569**	-	**7.536.377**	**72.568**	-	**2.876.254**	**2.935.257**	**5.884.079**

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

5. FINANCIAL LIABILITIES (CONTINUED)

Lease liabilities

As at 31 December 2020, obligation under leases detail are as follows:

			31 December 2020		31 December 2019	
	Currency	Interest rate type	Nominal interest rate	Carrying amount	Nominal interest rate	Carrying amount
Lease liabilities	TL	Fixed	9,0% - 20,0%	1.223.002	11,0% - 22,0%	1.029.922
Lease liabilities	USD	Fixed	4,0% - 7,0%	37.198	6,0% – 7,0%	33.892
Lease liabilities	EUR	Fixed	2,5% - 4,5%	75.220	3,3% - 4,5%	73.138
Lease liabilities	Other	Fixed	3,3%	2.266	3,3%	3.809
				1.337.686		**1.140.761**

6. TRADE RECEIVABLES FROM AND PAYABLES TO UNRELATED PARTIES

Trade receivables

	31 December 2020	31 December 2019
Short-term		
Trade receivables	8.741.290	8.111.653
Other trade receivables	297.542	242.899
Contract assets	902.613	892.274
Allowance for doubtful receivables (-)	(3.754.151)	(3.490.624)
Total short-term trade receivables	**6.187.294**	**5.756.202**
Long-term		
Trade receivables	281.442	236.402
Total long-term trade receivables	**281.442**	**236.402**

Trade receivables generally have a maturity term of 60 days on average (31 December 2019: 60 days).

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

	1 January - 31 December 2020	1 January - 31 December 2019
At January 1	(3.490.624)	(3.241.202)
Provision for the year, net	(259.769)	(251.434)
Change in currency translation differences	(3.758)	2.012
At 31 December	**(3.754.151)**	**(3.490.624)**

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

Receivables guaranteed of the Group are amounted to TL 152.107.

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

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

Trade payables

	31 December 2020	31 December 2019
Short-term		
Trade payables	4.841.056	3.765.591
Expense accruals	452.465	626.019
Total short-term trade payables	**5.293.521**	**4.391.610**

The average maturity term of trade payables is between 30 and 150 days (31 December 2019: 30 and 150 days).

As of 31 December 2020, short-term trade payables consists of payables within scope of supplier finance that amounting TL 1.088.089 (31 December 2019: TL 975.830).

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

7. RIGHT OF USE ASSETS

The carrying amounts of right-of-use assets as of 31 December 2020 are as below:

	31 December 2020	31 December 2019
Site rent	957.992	910.710
Building	179.097	198.010
Vehicles	333.132	178.155
Other	75.934	78.650
Right of use assets	**1.546.155**	**1.365.525**

As at 31 December 2020 the Group capitalized TL 909.960 right of use asset (31 December 2019: TL 734.696).

As at 31 December 2020, the Group recognised TL 693.226 of depreciation charges (31 December 2019: TL 628.220) and TL 205.179 of financial expense from these leases (31 December 2019: 199.700).

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 2020 and 31 December 2019 are disclosed below:

	31 December 2020	31 December 2019
Due from related parties (Trade receivables-short term)		
Akbank T.A.Ş.	6.240	6.210
Türkiye Garanti Bankası A.Ş.	6.727	4.763
Türkiye İş Bankası A.Ş.	2.367	820
	15.334	**11.793**
Due to related parties (Trade payables-short term)		
Akbank T.A.Ş.	–	87
	–	**87**
Due to related parties (Other payables-short term)		
Türkiye İş Bankası A.Ş.	–	205.066
	–	**205.066**

As of 31 December 2019, other payables 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 TT Mobil's issued capital that will be sold to Group's customers as part of commitment sales. There is no payable remaining in current period regarding the TT Mobil share purchase.

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

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

Deposits held by related parties	31 December 2020	31 December 2019
Türkiye İş Bankası A.Ş.		
Time Deposit	1.993	883.199
Demand Deposit	200.296	173.331
	202.289	**1.056.530**
Akbank T.A.Ş.		
Time Deposit	60.150	629.349
Demand Deposit	46.793	89.194
	106.943	**718.543**
Türkiye Garanti Bankası A.Ş.		
Time Deposit	–	8.670
Demand Deposit	104.582	51.756
	104.582	**60.426**

Bank loans from related parties	31 December 2020	31 December 2019
Türkiye İş Bankası A.Ş.	604.809	665.000
Türkiye Garanti Bankası A.Ş.	264.944	–
	869.753	**665.000**

Transactions with shareholders:

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

As of 31 December 2020, 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.

Guarantees provided to related parties:

As of 31 December 2020, guarantees amounting to EUR 98.349, USD 36.667 are given for financial liabilities of TT Mobil, TTINT Turkey which are amounted to EUR 98.349, USD 36.667 respectively, by Türk Telekom.

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

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

Transactions with related parties:

Interest income from related parties	**1 January - 31 December 2020**	**1 January - 31 December 2019**
Akbank T.A.Ş.	8.138	46.537
Türkiye Garanti Bankası A.Ş.	3.042	2.927
Türkiye İş Bankası A.Ş.	60	5.836
	11.240	**55.300**
Other income from related parties		
Akbank T.A.Ş.	83.388	57.404
Türkiye Garanti Bankası A.Ş.	59.601	49.319
Türkiye İş Bankası A.Ş.	23.410	31.965
	166.399	**138.688**

Compensation of key management personnel

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

	1 January - 31 December 2020	**1 January - 31 December 2019**
Short-term benefits	97.873	161.146
Long-term benefits	2.179	1.921
	100.052	**163.067**

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

9. OTHER RECEIVABLES AND PAYABLES

Other short term receivable

	31 December 2020	31 December 2019
Other short term receivable	65.376	72.936
Deposits and guarantees given	3.020	2.939
Other doubtful receivables	41.366	35.152
Allowance for other doubtful receivables (-)	(41.366)	(35.152)
	68.396	**75.875**

As of 31 December 2020, TL 31.080 (31 December 2019: TL 34.118) 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 2020, other doubtful provision amounting to TL 9.820 (31 December 2019: TL 10.693) is provided while TL 3.606 (31 December 2019: TL 1.905) is reversed.

Other long term receivables

	31 December 2020	31 December 2019
Deposits and guarantees given	32.825	35.529
	32.825	**35.529**

Other short term payable

	31 December 2020	31 December 2019
Taxes and duties payable	280.850	233.269
Universal Service Fund (*)	214.707	175.292
ICTA shares	199.221	165.374
Treasury share accruals	145.928	140.016
Other payables (**)	153.004	213.936
	993.710	**927.887**

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

(**)As of 31 December 2020, amounting to TL 125.168 in other short term payables is comprised of guarantees given for borrowings of distributors which are utilized in financing of equipment purchases that will be sold to Group's customers as part of commitment sales.

Other long term payables

	31 December 2020	31 December 2019
Deposits and guarantees received	43.656	38.795
Other payables	–	86
	43.656	**38.881**

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

10. INVENTORIES

The Group has inventory amounting to TL 248.966 as at 31 December 2020 (31 December 2019: TL 252.042). Major part of this balance is composed of modems, computer, tablet, dect phones, cable, cable box and SIM cards.

11. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

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 Türk Telekom, TT Mobil and TTINT) arising from the tax losses carried forward based on the estimated taxable profits according to the business plan.

As of 31 December 2020, Türk Telekom, TT Mobil and TTINT Group's unrecognized deductable tax losses that will be utilized upon the existence of a tax base and the expiration dates are as follows:

Expiration years	**31 December 2020**
2021	1.439.144
2022	1.310.551
2023	758.229
2024	5.933
2025	3.279
2026	1.547
Indefinite	666.237
	4.184.920

As of 31 December 2020, deferred tax assets arising from prior year tax losses of Türk Telekom, TT Mobil and TTINT Group is amounting to TL 606.474 (31 December 2019: TL 1.050.472).

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

11. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

As at 31 December 2020, 20% 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 2019:20% and 22%).

	31 December 2020						
Deferred tax asset / (liability)	**Net balance at 1 January 2020**	**Recognised in profit or loss**	**Recognised in OCI**	**Effect of movements in exchange rates**	**Net balance**	**Deferred tax asset**	**Deferred tax liability**
Deferred tax asset recognized from tax losses carried forward	1.050.472	(443.998)	-	-	606.474	606.474	-
Deferred tax asset arising from capital increase	201.737	58.151	-	-	259.888	259.888	-
Deferred tax asset recognized from capital allowance	-	396.083	-	-	396.083	396.083	-
Provision for long-term employee benefits	176.173	4.863	21.980	-	203.016	203.016	-
Provision for doubtful receivables	37.237	(19.757)	-	-	17.480	28.122	(10.642)
Derivative instruments	82.328	(264.493)	69.451	-	(112.714)	-	(112.714)
Issued debt instruments	2.190	12.153	22.166	-	36.509	36.509	-
Temporary differences on property, plant and equipment / intangible assets	(1.005.276)	(63.706)	(45.590)	-	(1.114.572)	37.922	(1.152.494)
Other	151.706	70.384	47.388	11.750	281.228	297.462	(16.234)
Deferred tax asset / (liability) before net-off	**696.567**	**(250.320)**	**115.395**	**11.750**	**573.392**	**1.865.476**	**(1.292.084)**
Net-off of tax						**(576.951)**	**576.951**
Net deferred tax asset / (liability)					**573.392**	**1.288.525**	**(715.133)**

As of 31 December 2020, the total amount of deferred taxes related to transactions recognized directly in equity is TL 115.395 (31 December 2019: TL 126.389).

As of 31 December 2020, the total amount of the Group's unrecognised deferred tax asset related to subsidiaries is TL 801.051 (31 December 2019: TL 795.275).

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

11. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

	31 December 2019						
Deferred tax asset / (liability)	**Net balance at 1 January 2019**	**Recognised in profit or loss**	**Recognised in OCI**	**Effect of movements in exchange rates**	**Net balance**	**Deferred tax asset**	**Deferred tax liability**
Deferred tax asset recognized from tax losses carried forward	1.183.983	(133.511)	-	-	1.050.472	1.050.472	-
Deferred tax asset arising from capital increase	136.591	65.146	-	-	201.737	201.737	-
Provision for long-term employee benefits	153.942	6.776	15.455	-	176.173	176.173	-
Provision for doubtful receivables	42.835	(5.598)	-	-	37.237	38.122	(885)
Derivative instruments	102.333	(76.087)	56.082	-	82.328	82.328	-
Other	77.292	61.040	13.374	-	151.706	196.030	(44.324)
Issued debt instruments	(78.769)	31.541	49.418	-	2.190	2.190	-
Temporary differences on property, plant and equipment / intangible assets	(926.951)	(71.307)	(7.940)	922	(1.005.276)	23.042	(1.028.318)
Deferred tax asset / (liability) before net-off	**691.256**	**(122.000)**	**126.389**	**922**	**696.567**	**1.770.094**	**(1.073.527)**
Net-off of tax						**(693.352)**	**693.352**
Net deferred tax asset / (liability)					**696.567**	**1.076.742**	**(380.175)**

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

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

Other current assets

	31 December 2020	31 December 2019
Intermediary services for collection (*)	121.747	102.670
Value Added Tax ("VAT") and Special Communication Tax ("SCT")	73.777	162.719
Advances given (**)	44.499	31.730
Other current assets	13.544	55.352
	253.567	**352.471**

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

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

Other current liabilities

	31 December 2020	31 December 2019
Advances received	102.498	101.604
Other liabilities	18.743	31.520
	121.241	**133.124**

Employee benefit obligations

	31 December 2020	31 December 2019
Payables to personnel	72.625	50.166
Social security premiums payable	64.736	66.166
Employee's income tax payables	62.407	73.885
	199.768	**190.217**

Other non-current liabilities

	31 December 2020	31 December 2019
Advances received	136.445	115.369
	136.445	**115.369**

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

13. PREPAID EXPENSES AND DEFERRED REVENUES

Short-term prepaid expenses

	31 December 2020	31 December 2019
Other prepaid expenses (*)	190.797	153.136
Prepaid rent expenses	8.672	4.605
	199.469	**157.741**

(*) Other short-term prepaid expenses consist of prepaid insurance, prepaid commissions, prepaid advertising and other prepaid expenses.

Long-term prepaid expenses

	31 December 2020	31 December 2019
Other prepaid expenses	11.616	9.508
Prepaid rent expenses	1.756	3.047
	13.372	**12.555**

Short-term contract liabilities

	31 December 2020	31 December 2019
Contract liabilities from sale of goods and service contracts (*)	520.841	372.984
	520.841	**372.984**

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

Long-term contract liabilities

	31 December 2020	31 December 2019
Contract liabilities from sale of goods and service contracts (*)	872.077	637.851
	872.077	**637.851**

(*) Long-term contract liabilities mainly result from TTINT's indefeasible right of use contracts.

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

14. FINANCIAL INVESTMENTS

	31 December 2020	31 December 2019
Cetel	11.840	11.840
Other	6.116	2.853
	17.956	**14.693**

The Group holds 6,84 % of shares of Cetel as equity investment and cost of Cetel is used as a measure for its fair value since management has insufficient more recent information to measure fair value.

15. DERIVATIVE FINANCIAL INSTRUMENTS

Cash flow hedges and derivative financial instruments

Interest rate swaps

As of 31 December 2020 fair value of interest rate derivative transactions amounting to TL 347.286 has been recognized under long term derivative financial liabilities (31 December 2019: TL 173.362 long term derivative financial liabilities). Unrealized loss on these derivatives amounting to TL 179.587 (31 December 2019: TL 86.026 loss) is recognized in other comprehensive income. Unrealized gain on these derivatives' time value amounting to TL 5.663 is recognized in statement of profit or loss.

Company	Notional Amount (USD)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 December 2020 (TL)
Türk Telekom	300.000	29 April - 20 May 2014	Pay fixed rates and receive floating rates between June 2016 - June 2024	(274.959)
Türk Telekom	150.000	15 May 2014 - 16 May 2014	Pay fixed rates and receive rates between June 2016 - August 2016 and June 2024 - August 2024	(72.327)
				(347.286)

Company	Notional Amount (USD)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 December 2019 (TL)
Türk Telekom	300.000	29 April - 20 May 2014	Pay fixed rates and receive floating rates between June 2016 - June 2024	(151.714)
Türk Telekom	150.000	15 May 2014 - 16 May 2014	Pay fixed rates and receive rates between June 2016 - August 2016 and June 2024 - August 2024	(21.648)
				(173.362)

Cross currency swap transaction

As of 31 December 2020 fair value of participating cross currency swap transactions amounting to TL 40.914 has been recognized under short term derivative financial liabilities and TL 1.206.509 has been recognized under short term derivative financial assets (31 December 2019: TL 469.515 short term derivative financial liabilities, TL 373.121 short term derivative financial assets).

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

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedges and derivative financial instruments (continued)

Cross currency swap transaction (continued)

Company	Notional Amount (USD)	Trade Date	Amendment Date	Terms	Fair Value Amount as at 31 December 2020 (TL)
Türk Telekom	325.000	13 April 2016 - 15 December 2017	21 October 2020 - 10 November 2020	Pay TL and receive USD at June 2024	252.954
Türk Telekom	100.000	11-12 October 2018		Pay TL and receive USD at January 2021	126.799
Türk Telekom	50.000	11 October 2018		Pay TL and receive USD at April 2021	53.697
Türk Telekom	43.976	20 November 2019		Pay TL and receive USD between January 2020 - October 2022	54.191
Türk Telekom	90.871	6 - 8 January 2020	17-26 November 2020	Pay TL and receive USD between April 2020 - October 2022	70.317
Türk Telekom	69.670	25 October 2018 - 18 July 2019		Pay TL and receive USD between April 2019 - April 2025	50.330
Türk Telekom	22.359	22-23 July 2019		Pay TL and receive USD between October 2019 - October 2022	28.557
Türk Telekom	58.367	27-30 September 2019		Pay TL and receive USD between March 2020 - September 2025	63.015
Türk Telekom	64.682	13 November 2018 - 19 July 2019		Pay TL and receive USD between September 2019 - September 2025	48.495
Türk Telekom	100.000	27-28 September 2018		Pay TL and receive USD at July 2022	83.696
Türk Telekom	124.500	14 November 2018		Pay TL and receive USD between October 2019 - April 2024	83.274
Türk Telekom	90.909 (*)	27-28 Mach 2018	12 November 2020 - 2 December 2020	Pay TL and receive EUR between December 2020 - December 2025	115.784
Türk Telekom	28.152 (*)	27-28 June 2019		Pay TL and receive EUR between September 2019 - September 2024	42.430
Türk Telekom	58.182 (*)	4 June - 1 August 2018	12-26 September 2018	Pay TL and receive EUR between November 2018 - November 2022	132.970
					1.206.509

(*) Nominal amount of indicated operations are Euro.

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

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

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedges and derivative financial instruments (continued)

Cross currency swap transaction (continued)

Company	Notional Amount (USD)	Trade Date	Amendment Date	Terms	Fair Value Amount as at 31 December 2019 (TL)
Türk Telekom	325.000	13 April 2016 - 15 December 2017	20 July 2018 – 3 August 2018	Pay TL and receive USD at June 2024	164.650
Türk Telekom	125.000	20 December 2018 - 21 March 2019		Pay TL and receive USD between May 2019 - November 2020	45.586
Türk Telekom	70.040	27-30 September 2019		Pay TL and receive USD between March 2020 - September 2025	2.094
Türk Telekom	39.016	22-23 July 2019		Pay TL and receive USD between October 2019 - October 2022	1.130
Türk Telekom	50.000	20 November 2019		Pay TL and receive USD between January 2020 - October 2022	9.187
Türk Telekom	168.000 (*)	25 January 2019 - 18 March 2019		Pay TL and receive EUR between May 2019 - November 2020	65.543
Türk Telekom	100.000 (*)	27-28 March 2018	18-19 September 2018	Pay TL and receive EUR between December 2020 - December 2025	43.104
Türk Telekom	66.364 (*)	20 July - 1 August 2018	12-13 September 2018	Pay TL and receive EUR between November 2018 - November 2022	41.827
					373.121

Company	Notional Amount (USD)	Trade Date	Amendment Date	Terms	Fair Value Amount as at 31 December 2019 (TL)
Türk Telekom	150.000	19 September 2018 - 11 October 2018		Pay TL and receive USD between March 2020 - April 2021	(41.788)
Türk Telekom	100.000	27-28 September 2018		Pay TL and receive USD at July 2022	(67.481)
Türk Telekom	100.000	11-12 October 2018		Pay TL and receive USD at January 2021	(33.563)
Türk Telekom	135.000	14 November 2018		Pay TL and receive USD between October 2019 - April 2024	(65.252)
Türk Telekom	85.150	25 October 2018 - 18 July 2019		Pay TL and receive USD between April 2019 - April 2025	(34.002)
Türk Telekom	79.678	13 November 2018 - 19 July 2019		Pay TL and receive USD between September 2019 - September 2025	(26.335)
Türk Telekom	175.000	31 March 2016	11 December 2018	Pay TL and receive USD at June 2024	(166.561)
Türk Telekom	27.000	29 May 2019		Pay TL and receive USD between May 2019 - November 2020	(10.434)
Türk Telekom	42.000	28 June 2019		Pay TL and receive USD at January 2020	(2.105)
Türk Telekom	30.000 (*)	4 June 2018	26 September 2018	Pay TL and receive EUR between November 2018 - November 2022	(12.390)
Türk Telekom	35.912 (*)	27-28 June 2019		Pay TL and receive EUR between September 2019 - September 2024	(8.710)
Türk Telekom	3.231 (*)	27 June 2019		Pay TL and receive EUR between December 2019 - June 2020	(129)
Türk Telekom	6.364 (*)	27 June 2019		Pay TL and receive EUR between November 2019 - May 2020	(451)
Türk Telekom	7.692 (*)	27 June 2019		Pay TL and receive EUR between December 2019 - June 2020	(314)
					(469.515)

(*) Nominal amount of indicated operations are Euro.

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

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedges and derivative financial instruments (continued)

Copper hedge transactions

As of 31 December 2020 fair value of participating cross currency swap transactions amounting to TL 6.619 has been recognized under short term derivative financial liabilities (31 December 2019: TL 19.689 short term derivative financial liabilities).

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

Company	**Notinal Amount (Tonnes)**	**Trade Date**	**Terms and Maturity Date**	**Fair Value Amount as at 31 December 2019 (TL)**
Türk Telekom	9.047	10 - 18 October 2019	Pay floating price and receive fixed price between November 2019 - February 2021	(19.689)
				(19.689)

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

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate derivative instruments which are not designated as hedge

As of 31 December 2020 fair value of the interest rate swap transactions which are not designated as hedge and amounting to TL 32.710 is recognized under long term derivative financial assets (31 December 2019: TL 35.401 long term derivative financial assets). Unrealized loss on these derivatives amounting to TL 2.691 recognized in profit or loss.

Company	Notional Amount (USD)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 December 2020 (TL)
Türk Telekom	300.000	29 April - 20 May 2014	Pay the difference between floating rate and 4% if floating rate exceeds 4%, between June 2016 - June 2021, and receive fixed premium (0,44%-0,575%) Pay the difference between floating rate and 6% if floating rate exceeds 6%, between June 2021 - June 2024, and receive fixed premium (0,39%-0,45%)	32.710
				32.710

Company	Notional Amount (USD)	Trade Date	Terms and Maturity Date	Fair Value Amount as at 31 December 2019 (TL)
Türk Telekom	300.000	29 April - 20 May 2014	Pay the difference between floating rate and 4% if floating rate exceeds 4%, between June 2016 - June 2021, and receive fixed premium (0,44%-0,575%) Pay the difference between floating rate and 6% if floating rate exceeds 6%, between June 2021 - June 2024, and receive fixed premium (0,39%-0,45%)	35.401
				35.401

Cross Currency swaps instruments which are not designated as hedge

As of 31 December 2020, fair value of derivative transactions amounting to TL 320.186 is recognized under short term derivative financial liabilities (31 December 2019: TL 48.149 short term financial liabilities) and TL 958 is recognised under short term financial assets.

USD/EUR Cross Currency Swaps Instruments

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 December 2020 (TL)
TTINT Türkiye	36.667	16 June 2016	Pay EUR and receive USD between December 2016 and June 2026	(29.812)
				(29.812)

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

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

USD/EUR Cross Currency Swaps Instruments

Company	**Notional Amount (USD)**	**Trade Date**	**Terms**	**Fair Value Amount as at 31 December 2019 (TL)**
Türk Telekom	45.000	26 October 2018	Pay USD and receive EUR at June 2024	(11.934)
Türk Telekom	45.000	30 April 2015	Pay EUR and receive USD between June 2015 - June 2024	(5.435)
TTINT Türkiye	50.000	16 June 2016	Pay EUR and receive USD between December 2016 - June 2026	(1.666)
				(19.035)

USD/EUR Foreign Currency Swaps Instruments

Company	**Notional Amount (USD)**	**Trade Date**	**Terms**	**Fair Value Amount as at 31 December 2019 (TL)**
Türk Telekom	410.000	22 November 2019 - 11 December 2019	Pay EUR and receive USD at January 2020	(29.114)
				(29.114)

Futures

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

Company	**Notional Amount (USD)**	**Trade Date**	**Terms**	**Fair Value Amount as at 31 December 2020 (TL)**
Türk Telekom	271.240	19 October - 24 December 2020	Net TL settlement between January and February 2021 based on the difference between contract price and contract closing price	(115.720)
TT Mobil	50.000	30 November - 28 December 2020	Net TL settlement between January and February 2021 based on the difference between contract price and contract closing price	(8.584)
Türk Telekom	168.660 (*)	3 - 29 December 2020	Net TL settlement at January 2021 based on the difference between contract price and contract closing price	(58.839)
				(183.143)

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

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

Forwards

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 December 2020 (TL)
Türk Telekom	97.678	27 October - 11 December 2020	Receive USD in exchange for TL between January and December 2021	(74.301)
Türk Telekom	53.860(*)	2 November - 2 December 2020	Receive EUR in exchange for TL between January and December 2021	(32.930)
				(107.231)

(*) Nominal amount of indicated operations are Euro.

Hedge of net investment in a foreign operation

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

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

16. GOODWILL

	31 December 2020	31 December 2019
Goodwill of TT Mobil	29.694	29.694
Goodwill of Innova	7.308	7.308
Goodwill of Argela	7.942	7.942
	44.944	**44.944**

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

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.

The discount ratio used for the cash flows is 17,0% (31 December 2019: 19,1%), 7% expected growth rate and the weighted average cost of capital (WACC) sensitivity as of +1% / -1% (31 December 2019: +1% / -1%). Cash flow projections after 2025, 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.

TT Mobil cash generating unit impairment test

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

The discount ratio used for the cash flows is 17,0% (31 December 2019: 18,9%). Cash flow projections after 2025 are estimated by using 10,0% growth rate, considering the inflation rate used in the business plan and expected growth rate of TT Mobil. Company value of TT Mobil has been tested at a sensitivity of WACC terminal growth rate by +1%/-1% (31 December 2019: 1%/-1%). As a result of the impairment test, it has been noted that there is no impairment is identified on goodwill arising on the TT Mobil acquisition.

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 2025. Cash flow projections beyond 2025 are estimated by using 10,0% growth rate, for both Innova and Argela, respectively, considering the inflation rate used in the business plan and expected growth rate of the country. The discount ratio used for the cash flows is 20,3% for Innova (31 December 2019: 23,6%) and 21,9% for Argela (31 December 2019: 24,6%). Valuation has been tested at a sensitivity of +1%/-1%. For the WACC calculation, technology companies have been taken as a benchmark for the calculation of the beta coefficient. As a result of the impairment test, no impairment is identified for the cash generating units and the goodwill arising from the acquisition of Argela and Innova.

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 2027. 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 9,6% (31 December 2019: 9%) 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 is tested for sensitivity by +0,5%/-0,5%. For the WACC calculation, telecommunication companies are considered as a benchmark for the calculation of the beta coefficient. As a result of test, no impairment is identified for the cash generating unit.

Sebit cash generating unit impairment test

In cash generating unit impairment analysis for Sebit, total assets and liabilities were considered as one cash generating unit. Recoverable amount was determined through the usage value which had been calculated based on the five years business plan approved by the management.

The discount ratio used for the cash flows is 21,5% (31 December 2019: 22,9%). The estimated value of the cash flows consists of the ones which were discounted until 2025. The growth rate for the current and subsequent terms was foreseen as 10,0% 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 +1%/-1% WACC and growth rate sensitivity of the cash flows (31 December 2019: +1%/-1%). As a result of test, no impairment is identified for the cash generating unit).

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

17. ASSETS HELD FOR SALE

As of 31 December 2020, based on the decision of Board of Directors to sell a real estate, this asset was classified as held for sale.

Asset held for sale for the years ended 31 December 2020 and 31 December 2019 is given net book value TL 37.361.

18. INVESTMENT PROPERTY

The movement of investment property and the related accumulated depreciation for the years ended 31 December 2020 and 2019 is given below:

	1 January - 31 December 2020	**1 January - 31 December 2019**
Cost		
Opening balance	40.047	43.012
Transfer	–	(2.965)
As at 31 December	**40.047**	**40.047**
Accumulated depreciation		
Opening	22.348	22.818
Transfer	(1.406)	(1.897)
Depreciation charge for the year	1.242	1.427
Impairment	251	–
As at 31 December	**22.435**	**22.348**
Net book value as at 31 December	**17.612**	**17.699**

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.

(Currency - in Thousands of Turkish Lira (TL) unless otherwise indicated. All other currencies are also expressed in thousands)

19. PROPERTY, PLANT AND EQUIPMENT

The movement of PPE and the related accumulated depreciation for the years ended 31 December 2020 and 2019 is given below:

	Land	Buildings	Network and other equipment	Vehicles	Furniture and fixtures	Other fixed assets	Construction in progress	Total
Cost								
Opening balance, 1 January 2020	5.428.051	2.091.418	41.687.897	108.577	871.173	256.967	487.968	50.932.051
Transfer	1.800	4.869	765.379	84	4.534	(7.986)	(806.206)	(37.526)
Additions	994	77.717	2.170.258	29.181	82.631	17.972	443.833	2.822.586
Revaluation	460.035	-	-	-	-	-	-	460.035
Disposal	(162)	(2.916)	(3.590.641)	(1.087)	(18.541)	(89)	(1.471)	(3.614.907)
Foreign currency translation differences	3.558	9.105	626.365	634	6.453	1.965	13.448	661.528
Closing balance, 31 December 2020	**5.894.276**	**2.180.193**	**41.659.258**	**137.389**	**946.250**	**268.829**	**137.572**	**51.223.767**
Accumulated depreciation								
Opening balance, 1 January 2020	-	1.521.946	33.654.355	99.622	713.570	232.899	-	36.222.392
Transfer	-	(17.005)	(3.858)	-	1.401	(670)	-	(20.132)
Depreciation charge for the year	-	95.959	1.931.593	5.542	49.845	8.133	-	2.091.072
Disposal	-	(1.566)	(3.570.768)	(1.087)	(18.541)	(89)	-	(3.592.051)
Impairment	-	1.930	50.649	-	-	-	-	52.579
Foreign currency translation differences	-	4.617	395.865	(51)	2.985	1.580	-	404.996
Closing balance, 31 December 2020	**-**	**1.605.881**	**32.457.836**	**104.026**	**749.260**	**241.853**	**-**	**35.158.856**
Net book value, 31 December 2020	**5.894.276**	**574.312**	**9.201.422**	**33.363**	**196.990**	**26.976**	**137.572**	**16.064.911**

As of 31 December 2020, net book value of leased assets of Group composes of vehicles and land buildings amounting respectively TL 7.052, TL 2.251 (31 December 2019: land and buildings amounting to TL 7.295).

The Group does not have any capitalized borrowing cost on property, plant and equipment (31 December 2019: nil).

There is no restriction or pledge on the tangible as at 31 December 2020.

For the year ended 31 December 2020, impairment on property, plant and equipment amounting to TL 48.803 is recognized in cost of sales (31 December 2019: TL 14.874), TL 1.846 is recognized in general administrative expenses (31 December 2019: TL 10.207) and TL 1.930 recognized in marketing, sales and distribution expenses (31 December 2019: nil).

19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2020, net increase in carrying amount of lands amounting TL 460.035 which is valued by real estate valuation companies licensed by CMB is recognized in other comprehensive income. Valuation companies that performed the valuations are Akademi Gayrimenkul Değerleme ve Danışmanlık A.Ş., Atak Gayrimenkul Değerleme A.Ş., Bilgi Gayrimenkul Değerleme A.Ş., DE-GA Gayrimenkul Değerleme ve Danışmanlık A.Ş., Değer Gayrimenkul Değerleme ve Danışmanlık A.Ş., Düzey Gayrimenkul Değerleme ve Danışmanlık A.Ş., Ekip Taşınmaz Değerleme A.Ş., Eksen Gayrimenkul Değerleme ve Danışmanlık A.Ş., Emsal Gayrimenkul Değerleme ve Danışmanlık A.Ş., Kuzey Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş., LAL Gayrimenkul Değerleme ve Müşavirlik A.Ş., Metrik Gayrimenkul Değerleme Danışmanlık A.Ş., Net Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş., Prime Gayrimenkul Değerleme ve Danışmanlık A.Ş., Vakıf Gayrimenkul Değerleme A.Ş.

(Currency - in Thousands of Turkish Lira (TL) unless otherwise indicated. All other currencies are also expressed in thousands)

19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land	Buildings	Network and other equipment	Vehicles	Furniture and fixtures	Other fixed assets	Construction in progress	Total
Cost								
Opening balance, 1 January 2019	5.354.613	2.015.354	40.503.612	111.308	837.872	254.684	439.411	49.516.854
Transfer	(3.183)	44.624	301.125	79	35.455	(2.265)	(469.176)	(93.341)
Additions	434	42.760	1.642.050	3.728	46.074	4.356	516.682	2.256.084
Revaluation	76.021	-	-	-	-	-	-	76.021
Disposal	(645)	(13.635)	(916.281)	(6.308)	(49.942)	(266)	-	(987.077)
Foreign currency translation differences	811	2.315	157.391	(230)	1.714	458	1.051	163.510
Closing balance, 31 December 2019	**5.428.051**	**2.091.418**	**41.687.897**	**108.577**	**871.173**	**256.967**	**487.968**	**50.932.051**
Accumulated depreciation								
Opening balance, 1 January 2019	-	1.425.815	32.803.564	101.581	708.042	223.799	-	35.262.801
Transfer	-	1.378	(6.023)	-	3.158	(256)	-	(1.743)
Depreciation charge for the year	-	97.156	1.630.223	4.011	45.042	9.122	-	1.785.554
Disposal	-	(13.635)	(895.235)	(6.047)	(44.078)	(191)	-	(959.186)
Impairment	-	10.590	14.491	-	-	-	-	25.081
Foreign currency translation differences	-	642	107.335	77	1.406	425	-	109.885
Closing balance, 31 December 2019	**-**	**1.521.946**	**33.654.355**	**99.622**	**713.570**	**232.899**	**-**	**36.222.392**
Net book value, 31 December 2019	**5.428.051**	**569.472**	**8.033.542**	**8.955**	**157.603**	**24.068**	**487.968**	**14.709.659**

(Currency - in Thousands of Turkish Lira (TL) unless otherwise indicated. All other currencies are also expressed in thousands)

20. INTANGIBLE ASSETS

	Licence	Customer relationship	Research and development	Other intangible assets	Subscriber acqusition/retention cost	Concession rights	Total
Cost							
Opening balance, 1 January 2020	4.554.808	1.183.437	449.711	8.266.741	3.021.232	5.605.683	23.081.612
Transfers	12.932	-	26.147	(19.297)	-	-	19.782
Disposals	-	-	-	(10.559)	-	(957)	(11.516)
Additions (*)	-	-	53.099	1.362.702	866.291	1.846.539	4.128.631
Foreign currency translation differences	5.578	106.529	810	344.389	-	-	457.306
Closing balance, 31 December 2020	**4.573.318**	**1.289.966**	**529.767**	**9.943.976**	**3.887.523**	**7.451.265**	**27.675.815**
Accumulated amortization							
Opening balance, 1 January 2020	1.858.733	1.072.452	316.863	6.010.718	1.794.647	1.745.346	12.798.759
Transfers	-	-	-	2.388	-	-	2.388
Disposals	-	-	-	(3.800)	-	(665)	(4.465)
Amortization charge for the year	308.579	23.517	45.365	939.630	627.483	595.686	2.540.260
Impairment	-	-	-	-	-	3.462	3.462
Foreign currency translation differences	1.952	70.086	1.940	168.922	-	-	242.900
Closing balance, 31 December 2020	**2.169.264**	**1.166.055**	**364.168**	**7.117.858**	**2.422.130**	**2.343.829**	**15.583.304**
Net book value, 31 December 2020	**2.404.054**	**123.911**	**165.599**	**2.826.118**	**1.465.393**	**5.107.436**	**12.092.511**

(*) Additions amounting to TL 1.846.539 (31 December 2019: TL 1.023.117) comprise intangible assets under scope of TFRS Interpretation 12.

The Group have capitalized borrowing cost on intangible assets amounted TL 342 (31 December 2019: TL 1.040).

For the year ended 31 December 2020, there is no recognized impairment on intangible assets in cost of sales (31 December 2019: TL 4.900) and TL 3.462 recognized in marketing, selling and distribution expenses (31 Decembe 2019: Nil).

(Currency - in Thousands of Turkish Lira (TL) unless otherwise indicated. All other currencies are also expressed in thousands)

20. INTANGIBLE ASSETS (CONTINUED)

	Licence	Customer relationship	Research and development	Other intangible assets	Subscriber acquisition/retention costs	Concession rights	Total
Cost							
Opening balance, 1 January 2019	4.551.444	1.155.301	414.419	7.211.764	2.256.315	4.584.505	20.173.748
Transfers	2.555	-	4.567	86.185	-	2.281	95.588
Disposals	(155)	-	-	(132.054)	-	(4.220)	(136.429)
Additions (*)	-	-	30.414	982.619	764.917	1.023.117	2.801.067
Foreign currency translation differences	964	28.136	311	118.227	-	-	147.638
Closing balance, 31 December 2019	**4.554.808**	**1.183.437**	**449.711**	**8.266.741**	**3.021.232**	**5.605.683**	**23.081.612**
Accumulated amortization							
Opening balance, 1 January 2019	1.550.366	1.029.902	269.889	5.045.151	1.231.978	1.308.367	10.435.653
Transfers	-	-	-	641	-	2.281	2.922
Disposals	(155)	-	-	(29.853)	-	(299)	(30.307)
Amortization charge for the year	308.073	18.628	46.664	929.676	562.669	434.997	2.300.707
Impairment	-	-	-	4.900	-	-	4.900
Foreign currency translation differences	449	23.922	310	60.203	-	-	84.884
Closing balance, 31 December 2019	**1.858.733**	**1.072.452**	**316.863**	**6.010.718**	**1.794.647**	**1.745.346**	**12.798.759**
Net book value, 31 December 2019	**2.696.075**	**110.985**	**132.848**	**2.256.023**	**1.226.585**	**3.860.337**	**10.282.853**

(Currency - in Thousands of Turkish Lira (TL) unless otherwise indicated. All other currencies are also expressed in thousands)

20. INTANGIBLE ASSETS (CONTINUED)

For the year ended 31 December 2020, depreciation and amortization expense is recognized cost of sales, sales and distribution expenses, general administration expenses and research and development expenses respectively amounting to TL 3.384.879, (31 December 2019: TL 3.024.297), TL 1.311.648 (31 December 2019: TL 1.089.194) and TL 585.757 31 December 2019: TL 571.524), TL 36.708 (31 December 2019: TL 30.970), respectively.

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

TT Mobil license	8,4 years
TTINT customer relationships	4,8 years
TTINT other	9,8 years

There is no restriction or pledge on the intangible as at 31 December 2020 (31 December 2019: nil)

3G license tender

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

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

The net book value of the 3G license as at 31 December 2020 TL 201.623 is (31 December 2019: TL 225.346).

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 TT Mobil had obtained C band with the minimum fee of TL 128 year /channel (excluding VAT).

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

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

The net book value of the GSM 900 license as at 31 December 2020 is TL 3.596 (31 December 2019: TL 4.304)

4.5G license tender

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

As of 31 December 2020 net book value of 4.5G license amounts to TL 1.925.591 (31 December 2019: TL 2.156.662) in the consolidated financial statements.

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

21. PROVISIONS

Current provisions

The movement of current provisions is as follows:

	31 December 2020	31 December 2019
Litigation, ICTA penalty and customer return provisions	120.702	190.381
Provision for expected credit losses on loan commitments (*)	46.242	37.167
	166.944	**227.548**

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

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

	1 January - 31 December 2020	1 January - 31 December 2019
As at 1 January	**190.381**	**145.364**
Provisions for the period	58.642	109.460
Settled provisions	(128.077)	(6.404)
Reversals	(719)	(57.863)
Foreign currency translation difference	475	(176)
As at 31 December	**120.702**	**190.381**

Current provisions for employee benefits

	31 December 2020	31 December 2019
Current provisions for employee benefits		
Personnel bonus provision	276.460	223.552
	276.460	**223.552**

The movement of provisions is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
As at 1 January	**223.552**	**230.191**
Provision for the period	296.271	297.899
Provisions paid	(236.940)	(274.148)
Reversals	(9.251)	(29.861)
Foreign currency translation difference	2.828	(529)
As at 31 December	**276.460**	**223.552**

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

21. PROVISIONS (CONTINUED)

Non-current provisions for employee benefits

	31 December 2020	31 December 2019
Non-current provisions for employee benefits		
Defined benefit obligation	1.062.589	913.107
Unused vacation provisions	152.200	131.538
	1.214.789	**1.044.645**

Defined benefit obligation

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

The retirement pay liability as at 31 December 2020 is subject to a ceiling of full TL 7.117,17 (31 December 2019: full TL 6.379,86) per monthly salary for each service year.

In addition to retirement benefits, the Group is liable for certain other non-current employment benefits such as business, service, representation indemnity and jubilee.

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

	1 January - 31 December 2020	1 January - 31 December 2019
Defined benefit obligation at January 1	913.107	795.371
Service cost	74.333	88.002
Interest cost	88.429	91.679
Actuarial loss (*)	111.790	79.715
Benefits paid	(132.141)	(142.041)
Transfer (**)	5.019	–
Foreign currency translation difference	2.052	381
As at 31 December	**1.062.589**	**913.107**

(*) As at 31 December 2020, actuarial loss amounting to TL 111.790 (31 December 2019: TL 79.715) is recognized in other comprehensive income.

(**) Consist of severance pay liability of TT Destek Hizmetleri A.Ş. which is established on 16 January 2020.

ii) Total expense recognized in the consolidated income statement:

	1 January - 31 December 2020	1 January - 31 December 2019
Interest cost	88.429	91.679
Service cost	74.333	88.002
Total net cost recognized in the consolidated statement of income	**162.762**	**179.681**

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

21. PROVISIONS (CONTINUED)

Non-current provisions for employee benefits (continued)

Defined benefit obligation (continued)

iii) Principal actuarial assumptions used:

	31 December 2020	**31 December 2019**
Interest rate	12,75%	13,0%
Expected rate of ceiling increases	8,50%	8,0%

For the years ahead, voluntary employee withdrawal of the Group is 1,99% (31 December 2019: 2,24%).

As of 31 December 2020, sensitivity analysis is performed for the significant assumptions of defined benefit obligation:

	Discount Rate		**Salary Increase Rate**		**Employee Withdrawal Rate**	
Sensitivity Level	**0,25% decrease (12,50%)**	**0,25% increase (13,00%)**	**0,25% decrease (8,25%)**	**0,25% increase (8,75%)**	**0,25% decrease**	**0,25% increase**
No effect to defined benefit obligation	21.958	(20.235)	(21.075)	22.729	(3.709)	3.872

Non-current employee benefits excluding defined benefit obligation

The movement of unused vacation provisions is as follows:

	1 January - 31 December 2020	**1 January - 31 December 2019**
As at 1 January	**131.538**	**111.801**
Provision for the period, net	30.547	27.047
Provisions paid	(11.122)	(7.535)
Foreign currency translation difference	1.237	225
As at 31 December	**152.200**	**131.538**

Other non-current provisions

	31 December 2020	**31 December 2019**
Provision for the investments under the scope of TFRS Interpretation 12	8.506	8.329
	8.506	**8.329**

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

22. PAID IN CAPITAL, RESERVES AND RETAINED EARNINGS

As of 31 December 2020 and 2019, the shareholders of the Company with their shareholding percentage are as follows:

	31 December 2020		31 December 2019	
	%	TL	%	TL
The Treasury	25	875.000	25	875.000
Levent Telekomünikasyon A.Ş.	55	1.925.000	55	1.925.000
Public Share	15	525.000	15	525.000
Turkish Wealth Fund ("TWF") (*)	5	175.000	5	175.000
		3.500.000		**3.500.000**
Inflation adjustment to share capital		(239.752)		(239.752)
		3.260.248		**3.260.248**

(*) Council of Ministers decided to transfer 6,68% (5% Group B, 1,68% Group D) of the shares of the Company belonging to the Undersecretariat of Treasury to the Turkish Wealth Fund with regards to Law on Establishment of Turkish Wealth Fund Management Incorporated and on Amending Certain Laws numbered 6741 and dated 19 August 2016.

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

The Treasury is the holder of the Preferred Stock (Golden Share) as per the law. This share is non-transferable. It provides certain rights to Treasury in order to protect national interests regarding economy and security: (a) Any proposed amendments to the Company's articles of association, (b) the transfer of any registered shares in the Company which would result in a change in the management control of the Company and (c) the registration of any transfer of registered shares in the Company's shareholders' ledger 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.

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

Number of members and independent board members of the Board of Directors to be nominated by the Group A and Group B Shareholders have been revised by the amendment to the article 8 of the Articles of Association at on the Extraordinary General Meeting dated 25.01.2019 Accordingly;

The board of directors shall be composed of nine (9) members nominated by the Group A Shareholder, Treasury and Turkish Wealth Fund,

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

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

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

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

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

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

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

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

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

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

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

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 associationof 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

A total gross amount of TL 601.650 which corresponds to approximately 25% of Company's net distributable profit pertaining to year 2019 has been committed to be distributed as a dividend (a dividend of full Kuruş 0,1719 per share) and as of reporting date distributed in cash to the shareholders.

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

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

Other reserves

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

	31 December 2020	**31 December 2019**
Gains on revaluation of property, plant and equipment	4.766.342	4.351.897
Currency translation differences	721.066	471.382
Gains due to change in fair value of financial liability attributable to change in credit risk of liability	(88.747)	(132.819)
Share based payment reserve (Note 23)	-	9.528
Cash flow hedge reserve	(320.668)	(438.864)
Reserve for hedge of net investment in a foreign operation	(593.149)	(403.597)
Losses on change in value of time value of options	(717.854)	(321.854)
Actuarial loss arising from employee benefits	(782.420)	(692.610)
Other reserves from acquisition of subsidiary	(1.320.942)	(1.320.942)
	1.663.628	**1.522.121**

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 it 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 2020	**1 January - 31 December 2019**
Weighted average number of ordinary shares outstanding during the year	350.000.000.000	350.000.000.000
Net profit for the year attributable to equity holder of the Company	3.177.873	2.406.783
Basic earnings per share (in full Kuruş)	0,9080	0,6877

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

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 Group has transferred share based payments reserve to retained earnings for the year ended 31 December 2020.

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

b) 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.

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

24. COMMITMENTS AND CONTINGENCIES

Guarantees received and given by the Group are summarized below:

		31 December 2020		31 December 2019	
		Original currency	**TL**	**Original currency**	**TL**
Guarantees received	**USD**	130.434	957.454	143.040	849.687
	TL	1.129.576	1.129.576	844.277	844.277
	EUR	23.518	211.852	32.158	213.869
			2.298.882		**1.907.833**
Guarantees given (*)	**USD**	168.434	1.236.391	171.513	1.018.822
	TL	706.306	706.306	589.422	589.422
	EUR	72.106	649.523	75.893	504.734
			2.592.220		**2.112.978**

(*) Guarantees given amounting to USD 151.500 (31 December 2019: USD 151.500) is related to the guarantee provided to the ICTA by TT Mobil with respect to the TT Mobil Concession Agreement, guarantees given amounting to EUR 12.840 (31 December 2019: EUR 12.840) is related with the guarantee provided for 3G license and guarantees given amounting to EUR 57.281 (31 December 2019: EUR 57.281) is related with the guarantee provided for 4.5G license.

The Company's guarantee, pledge and mortgage (GPM) position as at 31 December 2020 and 31 December 2019 is as follows:

	31 December 2020	**31 December 2019**
A. GPMs given on behalf of the Company's legal personality	2.592.220	2.112.978
B. GPMs given in favor of subsidiaries included in full consolidation	1.155.067	977.792
C. GPMS given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	780.363	605.367
Total	**4.527.650**	**3.696.137**

Based on law 128/1 of Turkish Code of Obligations, the Group has given guarantee to distributors amounting to TL 780.363 for the financial obligation that would arise during the purchase of devices that will be sold as commitment sales by the Group (31 December 2019: TL 605.367). The guarantees has given to the banks TL 60.924, TL 179.998, TL 11.444 Akbank T.A.Ş., Türkiye Garanti Bankası A.Ş. ve Türkiye İş Bankası A.Ş. respectively.

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Other commitments

The Group has purchase commitments for sponsorships, advertising and insurance services at the equivalent to TL 7.300 (31 December 2019: TL 30.723) as at 31 December 2020. 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 52.499, EUR 23.769 and TL 319.711, Pound 30 equivalent to TL 919.484 (31 December 2019: TL 771.638) as at 31 December 2020.

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 Consession 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.

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Türk Telekom concession agreement (continued)

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

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

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

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

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

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

Regarding to Gsm and IMT-2000/UMTS concession agreement and IMT Authorization Certificate, the Company shall provide fixed guarantee by cash and/or letter of bank guarantee amounting to 6% of the Company's Licence fee and right of use fee. In case it is identified that TT Mobil does not 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 TT Mobil and the ICTA ("the TT Mobil Concession Agreement") on 12 January 2005 which replaced and superseded the previous GSM 1800 license agreements in place in relation to Aycell and Aria. After GSM 900 Frequency Band bidding done by ICTA on 20 June, 2008, agreement was rearranged, the contract ("the TT Mobil Concession Agreement") was rearranged after the Authorization Tender for IMT Services and Infrastructures made by ICTA on 26 August 2015.

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

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

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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

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

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

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

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

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

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

Fund payable to the Treasury

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

Contribution share to the ICTA

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

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

Coverage area

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

Service offerings

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

Service quality

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

Tariffs

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

Emergencies

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

Investment plans

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

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

National roaming

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

Suspension of operations

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

Termination of the agreement by the ICTA

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

i) A final judgment of the competent courts for insolvency of TT Mobil or its composition with creditors,

ii) Determination of the failure of TT Mobil to perform its contractual obligations hereunder and to remedy its default in a reasonable period of time granted,

iii) Determination that TT Mobil extends its activities beyond the frequencies allocated hereunder or other frequencies that may be allocated by the ICTA to TT Mobil for use in the GSM 1800 System, and failure of TT Mobil to cease such activities in a reasonable period of time granted,

iv) Failure of TT Mobil to pay the license fees hereunder.

However, that except for point (iv) above, TT Mobil will be given the opportunity to fulfill its obligations within a period not less than 90 days of written notice by the ICTA. During this period of time, TT Mobil will furnish to the ICTA a corrective action program for 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 TT Mobil.

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

Insurance

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

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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

According to this Agreement;

i. TT Mobil shall provide subscribers' and users' 112 calls and other emergency situation calls to public security institutions and other public institutions, and to direct those calls to the centers requested by the said institutions, free of charge bearing all costs.

ii. TT Mobil shall keep at least 2 units of IMT-2000/UMTS mobile base stations to be used in emergency situations under the request of the Ministry of Transport and Communication.

iii. Within the first 5 years by the signature of the Agreement, TT Mobil shall obtain the approval of the ICTA for each assignment of TT Mobil shares in ratio exceeding 10% to persons and entities other than the current shareholders and subsidiaries of the current shareholders. Any type of share assignment leading a change in the control of TT Mobil shall be subject to the approval of the ICTA.

iv. TT Mobil has granted a bank letter of guarantee amounting to EUR 12.840 which is 6% of the license fee, for to act as final guarantee. Should the TT Mobil is understood to not perform its contractual obligations; ICTA shall record and confiscate the final guarantee as income. In such confiscation of final guarantee as income is realized, TT Mobil shall grant new final guarantee within 30 days. Should the new final guarantee not granted within the said period, the Agreement might be terminated.

v. During the term of the Agreement, TT Mobil shall each year submit its investment plan related to the subsequent calendar year, till 1 December to the ICTA. This plan shall be prepared for three years and shall include such information as the number, location, coverage areas, investment costs with respect to exchange centres, base stations and control stations to be established, as well as the realization ratio of the previous year's investment plan and reasons of deviation, if any.

vi. TT Mobil will pay an amount equal to 15% of the gross sales on a monthly basis to the Treasury, except for the default interest imposed on their subscribers for their late payments, indirect taxes, financial obligations such as charges and fees, and the accrual amounts accounted for reporting purposes.

vii. TT Mobil shall pay 0.35% of the annual net sales to the ICTA as contribution share to the ICTA's expenses, latest on the last working day of April of the following year.

Coverage Area Obligations:

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

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

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

Coverage Area Obligations: (continued)

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

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

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

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

If there is any delay in 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.

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

Except for the investments made in the lease of place, towers, piles, pipes, containers, channels, energy transfer lines and similar infrastructure plants; each year TT Mobil shall 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.

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

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)

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

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

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

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

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

Termination of the Agreement by ICTA:

The Authority might terminate the Agreement for the following reasons;

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

In such circumstances, ICTA gives TT Mobil the opportunity to fulfill its obligations within 90 days after the written notice. In case TT Mobil 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, TT Mobil will alienate all data and documents which constitute system, software affecting the running of system (including tower, beam, blare, container, channel, energy transmission lines, antenna etc), stated and in the usage of TT Mobil to ICTA or to the entity ICTA enounces by making sure that there is no pledge, mortgage, levy and related legal blockages on them and they are free of cost and works free of problems.

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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

<u>Termination of the Agreement by ICTA (continued):</u>

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

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

According to the Authorization Certificate;

i. TT Mobil shall provide emergency call services in line with the regulations of ICTA, free of charge bearing all costs and comply with the regulations of ICTA in relation to this matter.

ii. TT Mobil shall keep at least 2 mobile base stations so as to be used for the provision of IMT services upon the Ministry's request, in the case of disaster and emergency.

iii. Within the first 5 years by the signature of the Agreement, TT Mobil shall obtain the approval of the ICTA for each assignment of TT Mobil shares in ratio exceeding 10% to persons and entities other than the current shareholders and subsidiaries of the current shareholders. Any type of share assignment leading a change in the control of TT Mobil shall be subject to the approval of the ICTA.

iv. TT Mobil has granted a bank letter of guarantee amounting to EUR 57.300 which is 6% of the total fee, for to act as final guarantee. Should be understood that TT Mobil to not perform its contractual obligations; ICTA shall record and confiscate the final guarantee as income. In such confiscation of final guarantee as income is realized, TT Mobil shall grant new final guarantee within 30 days. Should the new final guarantee not granted within the said period, the Authorization might be terminated by ICTA.

v. TT Mobil will pay an amount equal to 15% of the gross sales on a monthly basis to the Treasury, except for the default interest imposed on their subscribers for their late payments, indirect taxes, financial obligations such as charges and fees, and the accrual amounts accounted for reporting purposes.

vi. TT Mobil shall pay the administrative fee at the rate and in the way determined by ICTA in accordance with the applicable law.

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

Coverage Area Obligations:

Following the authorization, TT Mobil shall put at least

- 95% of Turkey's population within 8 years
- 90% of the population in each province and district within 8 years
- 99% of highways, high speed and very high speed train routes and tunnels longer than 1 km within 3 years
- 95% of divided highways within 6 years
- 90% of conventional train routes within 10 years

under coverage. Additionally, following the authorization, TT Mobil 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 eight year within 2 years of its entering into service under coverage

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

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

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

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

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

Service quality obligation:

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

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

Sharing the Radio Access Network:

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

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

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

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

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

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

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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

TT Mobil shall be obliged to supply its investments and communication services relating to the network (hardware or software such as base station, switching, router), except investments relating to property lease, tower, pole, container, channel, power transmission lines and similar facilities, from the products determined to be domestic product under the Law No 4734 and applicable law at least by 30% within the first year, at least by 40% within the second year and at least by 45% within subsequent years following the authorization. Such items among the products supplied by the supplier companies and SMEs to TT Mobil, which are determined to be domestic products shall be taken into account under this obligation. TT Mobil contemplating that it will not be able to fulfil its obligations set forth in 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 TT Mobil shall be obliged to supply from the products determined to be domestic product under the Law No 4734 and applicable law a minimum average of 30% in the first 4 years, 40% in the second 4 years and 45% in the third 4 years. Such items among the products supplied by the supplier companies and SMEs to TT Mobil, which are determined to be domestic products shall be taken into account under this obligation. TT Mobil contemplating that it will not be able to fulfil its obligations set forth in 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 TT Mobil 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 TT Mobil given by the judicial authorities,
- TT Mobil not performing some of its contractual obligations and not correcting such breach in the given period,
- TT Mobil operating under the frequencies other than the ones allocated to itself by ICTA and not ceasing these operation within the given period,
- Termination of one of TT Mobil's Concession Agreements signed earlier,
- TT Mobil not performing its obligations stated in the article related to confidentiality of the communication, national security and public order

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

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

Cancelation of Authorization (continued)

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

Legal proceedings of Türk Telekom

Disputes between the Group and the ICTA

The Company has filed various lawsuits against ICTA. These lawsuits are related with the sector-specific and tariff legislations and legislations with respect to the other operators in the market. The sector-specific disputes generally stem from the objections with respect to the provisions of interconnection legislation, legislation with respect to telecommunication services and infrastructure. According to the Article 99 of the Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation" which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the sub-article 9 added to the Article 60 of the Law numbered 5809; customer returns that are not repaid to the customers within the 2-year period, shall be transferred to the Ministry of Transport and Infrastructure of the Republic of Turkey as revenue under the name of "Revenues for Universal Service". For the period ended 31 December 2020, customer returns amounted to TL 80.555 was transferred. As of 31 December 2020, TL 59.531 provision provided for ICTA penalties and amounts to be repaid to customers or to the Ministry of Transport and Infrastructure of the Republic of Turkey due to ICTA resolutions (31 December 2019: TL 127.699).

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 61.171 as at 31 December 2020 (31 December 2019: TL 62.682). For the rest of the cases, Group lawyers commented that basis of those cases are not realistic and should be appealed. Therefore, no provision has been provided for these cases.

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

25. SUPPLEMENTARY CASH FLOW INFORMATION

Other explanations

			Non-cash flows			
	31 December 2019	Cash flows	Acquition	Foreign exchange movement	Other non-cash changes	31 December 2020
Financial liabilities (Note 5)	19.642.394	(6.585.314)	2.117.015	4.612.381	110.430	19.896.906
Obligations under finance leases (Note 5)	1.140.761	(865.728)	184.246	24.591	853.816	1.337.686
Derivative financial instruments, net (Note 15)	302.193	977.277	–	–	(754.298)	525.172
Total liabilities from financing activities	**21.085.348**	**(6.473.765)**	**2.301.261**	**4.636.972**	**209.948**	**21.759.764**

"Other outflows of cash" in net cash used in operating activities amounting to TL 109.402 represents change in restricted cash (Note 4). "Other inflows of cash, net" in net cash used in financial activities amounting to TL 81.056 represents change in other financial payment. "Other adjustment for non-cash items" in adjustments to reconcile net profit to cash provided by operating activities amounting to TL 212.258 represents change in TFRS Interpretation 12.

26. SUBSEQUENT EVENTS

Company's Board of Directors had resolved by its decision dated 3 March 2020 and numbered 31, to distribute a total gross amount of TL 1.203.020 which corresponded to approximately 50% of Company's net distributable profit for the year 2019 from the previous year's profit under legal records.

According to the Provisional Article 13, which was added to the Turkish Commercial Code ("TCC") numbered 6102, with the Law No.7244 published in the Official Gazette dated 17 April 2020 and numbered 31102, capital companies were allowed to pay up to 25% percent of the net profit for the year 2019 and were restricted to distribute the profits of previous year Notification Regarding Dividend Payment and legal reserves until 31 December 2020. In order to comply with the aforementioned restriction on dividend distribution, 25% of the distributable profit for the year 2019 was decided to be distributed at the Ordinary General Assembly Meeting dated 25 July 2020.

The dividend distribution restriction within the framework of TCC Provisional Article 13 and the provisions on Communiqué on the Procedures and Principles Regarding the implementation of the Provisional Article 13 of the TCC, has ended as of 31 December 2020; and no further regulation came into effect in this regard. Therefore, the TCC procedures which were in force before Provisional Article 13 shall apply. Due to our Company's Board of Directors decision dated 25 January 2021, an amount of TL 601.370 which was decided to be distributed by the Board of Directors' decision dated 03 March 2020 and numbered 31, but was set aside within the Company as prior year's profit, because it could not be distributed within the year 2020 in compliance with the aforementioned dividend distribution restriction, shall be distributed to the shareholders. Company's Board of Directors has resolved to propose the following to the shareholders at the Company's first upcoming General Assembly Meeting.

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

27. REVENUE

	1 January 2020 - 31 December 2020	1 January 2019 - 31 December 2019
Mobile	9.866.913	8.896.224
Broadband	8.305.726	6.625.258
Fixed voice	2.718.328	2.685.259
Corporate data	2.052.640	1.821.577
IFRIC 12 revenue	1.770.242	1.023.117
International revenue	1.471.029	1.097.539
TV	382.778	348.456
Other	1.721.219	1.159.678
	28.288.875	**23.657.108**

28. OPERATING EXPENSES

	1 January 2020 - 31 December 2020	1 January 2019 - 31 December 2019
Cost of sales (-)	(15.105.955)	(12.298.492)
Marketing, sales and distribution expenses (-)	(3.038.792)	(2.670.891)
General administrative expenses (-)	(2.320.713)	(2.147.447)
Research and development expenses (-)	(247.105)	(166.491)
	(20.712.565)	**(17.283.321)**

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

29. EXPENSES BY NATURE

	1 January 2020 - 31 December 2020	1 January 2019 - 31 December 2019
Personnel expenses	(3.867.855)	(3.435.612)
Taxes	(2.610.165)	(2.316.397)
TFRS Interpretation 12 related fixed assets additions and capex provision expenses	(1.557.809)	(905.413)
Domestic interconnection	(1.451.736)	(1.318.675)
Repair and maintenance expenses	(1.198.271)	(927.902)
International interconnection	(1.087.133)	(758.263)
Cost of sales and cost of equipment sales of technology companies	(882.597)	(508.106)
Utilities	(837.909)	(699.259)
Other expenses	(1.843.806)	(1.667.728)
Total operating expenses (excluding depreciation and amortization expense)	**(15.337.281)**	**(12.537.355)**
Depreciation, amortization	**(5.318.992)**	**(4.715.985)**
Impairment expenses	**(56.292)**	**(29.981)**
Total operating expenses	**(20.712.565)**	**(17.283.321)**

30. OTHER OPERATING INCOME / (EXPENSE)

	1 January 2020 - 31 December 2020	1 January 2019 - 31 December 2019
Litigation and indemnity income	132.805	43.067
Interest and discount gains	124.903	152.230
Rental income	107.160	131.891
Other	113.698	58.203
Other operating income	**478.566**	**385.391**
Foreign exchange losses	(277.355)	(157.367)
Interest expenses on employee benefit obligations (Note 21)	(88.429)	(91.679)
Discount losses	(72.353)	(57.211)
Litigation provision compensation and penalty expenses	(53.458)	(166.729)
Other	(99.767)	(37.773)
Other operating expense (-)	**(591.362)**	**(510.759)**

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

31. INCOME / (EXPENSE) FROM INVESTING ACTIVITIES

	1 January 2020 - 31 December 2020	1 January 2019 - 31 December 2019
Gain from scrap sales	368.129	193.010
Gain on sales of property, plant and equipment	9.719	21.101
Income from investing activities	**377.848**	**214.111**
Losses from sales on property, plant and equipment	–	(1.545)
Expense from investing activities (-)	**–**	**(1.545)**

32. FINANCIAL INCOME / (EXPENSE)

	1 January 2020 - 31 December 2020	1 January 2019 - 31 December 2019
Foreign exchange and derivative instruments gains	870.717	612.437
Interest income on bank deposits	126.966	209.389
Other	654	33.216
Financial Income	**998.337**	**855.042**
Foreign exchange and derivative instruments loss	(2.376.742)	(1.894.651)
Interest expense	(2.301.262)	(2.280.441)
Other	(81.102)	(213.652)
Financial expenses	**(4.759.106)**	**(4.388.744)**
Financial expenses, net	**(3.760.769)**	**(3.533.702)**

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

33. TAXATION ON INCOME

	31 December 2020	31 December 2019
Corporate tax payable:		
Current corporate tax provision	372.169	206.890
Prepaid taxes and funds (-)	(199.713)	(131.652)
Tax payable	**172.456**	**75.238**

	1 January - 31 December 2020	1 January - 31 December 2019
Tax expense:		
Current tax expense		
Current income tax expense	(372.169)	(206.890)
Adjustments in respect of income tax of previous year	(1.579)	915
Deferred income (Note 11)		
Deferred tax income	(250.320)	(122.000)
Tax (expense) / income	**(624.068)**	**(327.975)**

As of 31 December 2020 deferred tax expense amounting to TL 115.395 (31 December 2019: TL 126.389 income) are recognized in the consolidated statement of other comprehensive income.

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 22% as of 31 December 2020. 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 22% to be calculated and paid based on earnings generated for each quarter for the period ended 31 December 2020. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

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

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

Dividend payments made to resident and non-resident individuals, non-resident legal entities and corporations resident in Turkey (except for the ones exempt from corporate and income tax), are subject to an income tax of 15%.

Dividend payments made from a corporation resident in Turkey to a corporation also resident in Turkey are not subject to income tax. Furthermore, income tax is not calculated in case the profit is not distributed or transferred to equity.

The dividend income (excluding the participation certificates of investment funds and profit shares derived from the share certificates of investment trusts) derived by entities from the participation in the capital of another resident entity is exempt from corporate tax. Furthermore, 50% of the income derived by entities from the sale of participation shares and real estates (immovable property) preferential rights, founders' shares and redeemed shares which are carried in assets at least for two years is exempt from corporate tax as of 31 December 2020.

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.

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

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 2020	1 January - 31 December 2019
Profit / (loss) before tax	3.801.941	2.734.758
Tax at the corporate tax rate of (22%)	(836.427)	(601.647)
Tax effects of:		
- Expenses that are not deductible in determining taxable profit	(52.124)	(54.354)
- Tax rate difference of subsidiaries	1.735	(1.104)
- Deferred tax asset recognition from cash capital increase	58.151	65.146
- Deferred tax asset recognition from investment allowances and previous years' tax losses carried forward by subsidiaries	145.059	192.673
- Adjustments and tax losses of subsidiaries not subject to deferred tax and other	59.538	71.311
Tax income / (expense) for the year	**(624.068)**	**(327.975)**

(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

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				
31 December 2020	Related Parties	Third Parties	Related Parties	Third Parties	Deposits and banks	Derivative Instruments	Other
Maximum credit risk exposed to as at the reporting date (A+B+C+D+E)	15.334	6.468.736	–	101.221	5.007.626	1.240.177	–
- Guaranteed portion of the maximum risk	–	152.107	–	–	–	–	–
A. Carrying amount of financial assets not overdue or not impaired	15.334	4.808.265	–	101.221	5.007.626	1.240.177	–
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	–	1.660.471	–	–	–	–	–
-Amount secured via guarantees	–	–	–	–	–	–	–
D. Carrying amount of assets impaired	–	–	–	–	–	–	–
-Overdue (gross book value)	–	3.754.151	–	41.366	–	–	–
-Impairment (-)	–	(3.754.151)	–	(41.366)	–	–	–
E. Off balance sheet items with credit risk	–	–	–	–	–	–	–

(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)

Credit risk (continued)

	Receivables						
	Trade Receivables		Other receivables				
31 December 2019	Related Parties	Third Parties	Related Parties	Third Parties	Deposits and banks	Derivative Instruments	Other
Maximum credit risk exposed to as at the reporting date (A+B+C+D+E)	11.793	5.992.604	–	111.404	4.945.874	408.522	–
- Guaranteed portion of the maximum risk	–	22.661	–	–	–		–
A. Carrying amount of financial assets not overdue or not impaired	11.793	4.504.337	–	111.404	4.945.874	408.522	–
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	–	1.488.267	–	–	–	–	–
-Amount secured via guarantees	–	–	–	–	–	–	–
D. Carrying amount of assets impaired	–	–	–	–	–	–	–
-Overdue (gross book value)	–	3.490.624	–	35.152	–	–	–
-Impairment (-)	–	(3.490.624)	–	(35.152)	–	–	–
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 2020, 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.

(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)

Liquidity risk (continued)

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2020 and 2019 based on contractual undiscounted payments (including interest payments not due yet).

Contract based maturities as at 31 December 2020	**Book value**	**Total contract based cash outflow (I+II+III+IV)**	**Less than 3 months (I)**	**3 to 12 months (II)**	**1 to 5 years (III)**	**More than 5 years (IV)**
Non-derivative financial liabilities						
Financial liabilities and issued debt instruments	19.896.906	22.176.476	2.331.279	3.933.936	15.565.130	346.131
Lease liabilities	1.337.686	1.710.422	248.187	337.490	1.001.846	122.899
Trade payables to unrelated parties	5.293.521	5.293.521	4.844.042	449.479	–	–
Other (*)	1.128.734	1.128.734	1.085.078	–	43.656	–
Derivative financial liabilities, net	**715.005**	**715.005**	**210.941**	**298.335**	**205.729**	**–**

Contract based maturities as at 31 December 2019	**Book value**	**Total contract based cash outflow (I+II+III+IV)**	**Less than 3 months (I)**	**3 to 12 months (II)**	**1 to 5 years (III)**	**More than 5 years (IV)**
Non-derivative financial liabilities						
Financial liabilities and issued debt instruments	19.642.394	22.301.494	2.108.407	4.536.553	12.298.790	3.357.744
Lease liabilities	1.140.761	1.506.209	155.753	326.441	898.204	125.811
Trade payables to unrelated parties	4.391.610	4.391.610	4.305.795	85.815	–	–
Other (*)	1.048.454	1.048.454	1.009.662	–	38.792	–
Trade and other payables to related parties	205.153	205.153	205.153	–	–	–
Derivative financial liabilities, net	**710.715**	**710.715**	**122.565**	**281.158**	**321.363**	**(14.371)**

(*) Other item includes other payables, employee benefit obligations and other current liabilities. Taxes and other payables contained within employee benefit obligations and advances contained within other current liabilities are excluded.

(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)

Market risk

Foreign Currency Risk

	31 December 2020				31 December 2019			
	Total TL Equivalent	**USD**	**EUR**	**Other**	**Total TL Equivalent**	**USD**	**EUR**	**Other**
1. Trade receivables	219.329	27.396	1.171	7.682	303.692	32.786	15.102	8.498
2a. Monetary financial assets (Cash and banks accounts included)	3.888.220	345.654	148.711	11.373	4.436.947	230.967	459.369	9.873
2b. Non-monetary financial assets	–	–	–	–	–	–	–	–
3. Other	1.069	–	119	–	174	–	26	–
4. Current assets (1+2+3)	**4.108.618**	**373.050**	**150.001**	**19.055**	**4.740.813**	**263.753**	**474.497**	**18.371**
5. Trade receivables	–	–	–	–	–	–	–	–
6a. Monetary financial assets	–	–	–	–	–	–	–	–
6b. Non-monetary financial assets	–	–	–	–	–	–	–	–
7. Other	–	–	–	–	790	–	119	–
8. Non-current assets (5+6+7)	**–**	**–**	**–**	**–**	**790**	**–**	**119**	**–**
9. Total assets (4+8)	**4.108.618**	**373.050**	**150.001**	**19.055**	**4.741.603**	**263.753**	**474.616**	**18.371**
10. Trade payables	3.076.131	258.060	127.459	33.696	2.640.054	340.408	85.594	48.711
11. Financial liabilities	2.976.888	274.313	101.153	52.111	4.847.846	517.698	266.334	1.336
12a. Monetary other liabilities	–	–	–	–	–	–	–	–
12b. Non-monetary other liabilities	–	–	–	–	–	–	–	–
13. Short-term liabilities (10+11+12)	**6.053.019**	**532.373**	**228.612**	**85.807**	**7.487.900**	**858.106**	**351.928**	**50.047**
14. Trade payables	–	–	–	–	–	–	–	–
15. Financial liabilities	14.138.721	1.503.858	343.623	4.329	13.652.099	1.872.480	379.924	2.472
16a. Monetary other liabilities	–	–	–	–	–	–	–	–
16b. Non-monetary other liabilities	–	–	–	–	–	–	–	–
17. Long-term liabilities (14+15+16)	**14.138.721**	**1.503.858**	**343.623**	**4.329**	**13.652.099**	**1.872.480**	**379.924**	**2.472**
18. Total liabilities (13+17)	**20.191.740**	**2.036.231**	**572.235**	**90.136**	**21.139.999**	**2.730.586**	**731.852**	**52.519**
19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b)	**16.219.562**	**1.730.010**	**390.815**	**–**	**11.707.212**	**1.552.884**	**373.315**	**–**
19a. Total asset amount hedged	–	–	–	–	–	–	–	–
19b. Total liability amount hedged	(16.219.562)	(1.730.010)	(390.815)	–	(11.707.212)	(1.552.884)	(373.315)	–
20. Net foreign currency asset/(liability) position (9-18+19)	**136.440**	**66.829**	**(31.419)**	**(71.081)**	**(4.691.184)**	**(913.949)**	**116.079**	**(34.148)**
21. Net asset/(liability) position of foreign currency monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(16.084.191)**	**(1.663.181)**	**(422.353)**	**(71.081)**	**(16.399.360)**	**(2.466.833)**	**(257.381)**	**(34.148)**
22. Fair value of FX swap financial instruments	**846.368**	**88.004**	**22.244**	**–**	**(115.429)**	**(41.060)**	**19.318**	**–**
23. Hedged amount of foreign currency assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
24. Hedged amount of foreign currency liabilities	**(16.219.562)**	**(1.730.010)**	**(390.815)**	**–**	**(11.707.212)**	**(1.552.884)**	**(373.315)**	**–**

(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)

Market risk (continued)

Foreign currency risk (continued)

The Group has transactional currency exposures mainly with respect to the financial liabilities and trade payables. Foreign currency denominated borrowings are stated in Note 5.

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

31 December 2020	**Profit/Loss**		**Other comprehensive income**	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Appreciation of USD against TL by 10%:				
1- USD net asset/liability	(1.220.859)	1.220.859	–	–
2- Hedged portion of USD risk (-)	1.081.873	(951.038)	(323.629)	127.333
3- USD net effect (1+2)	**(138.986)**	**269.821**	**(323.629)**	**127.333**
Appreciation of EUR against TL by 10%:				
4- EUR net asset/liability	(380.345)	380.345	–	–
5- Hedged portion of EUR risk (-)	466.961	(454.125)	(182.307)	12.460
6- EUR net effect (4+5)	**86.616**	**(73.780)**	**(182.307)**	**12.460**
Appreciation of other foreign currencies against TL by 10%:				
7- Other foreign currency net asset/liability	(7.108)	7.108	–	–
8- Hedged portion of other foreign currency (-)	–	–	–	–
9- Other foreign currency net effect (7+8)	**(7.108)**	**7.108**	**–**	**–**
Total (3+6+9)	**(59.478)**	**203.149**	**(505.936)**	**139.793**

(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)

Market risk (continued)

Foreign currency risk (continued)

31 December 2019	**Profit/Loss**		**Other comprehensive income**	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Appreciation of USD against TL by 10%:				
1- USD net asset/liability	(1.465.348)	1.465.348	–	–
2- Hedged portion of USD risk (-)	851.645	(530.719)	(330.164)	129.116
3- USD net effect (1+2)	**(613.703)**	**934.629**	**(330.164)**	**129.116**
Appreciation of EUR against TL by 10%:				
4- EUR net asset/liability	(171.076)	171.076	–	–
5- Hedged portion of EUR risk (-)	332.961	(281.957)	(50.244)	50.385
6- EUR net effect (4+5)	**161.885**	**(110.881)**	**(50.244)**	**50.385**
Appreciation of other foreign currencies against TL by 10%:				
7- Other foreign currency net asset/liability	(3.415)	3.415	–	–
8- Hedged portion of other foreign currency (-)	–	–	–	–
9- Other foreign currency net effect (7+8)	**(3.415)**	**3.415**	**–**	**–**
Total (3+6+9)	**(455.233)**	**827.163**	**(380.408)**	**179.501**

(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)

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 2020	**31 December 2019**
Financial instruments with fixed interest rate		
Financial assets	4.259.967	4.281.269
Financial liabilities	(10.118.519)	(7.233.679)
Effect of hedging	(10.217.460)	(11.407.465)
	(16.076.012)	**(14.359.875)**
Financial instruments with variable interest rate		
Financial liabilities	(9.778.387)	(12.408.715)
Effect of hedging	10.217.460	11.407.465
	439.073	**(1.001.250)**

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 4.545 (31 December 2019: TL 6.356) and interest rate was lower 0,25%, with all other variables held constant, the Group's income before tax and minority interest would be higher by TL 4.626 (31 December 2019: TL 6.406) as of 31 December 2020.

On the other side because of hedging, if the base point of interest rate higher/lower 0.25%, equity would be higher by TL 44.496 (31 December 2019: TL 54.124), if the base point of interest rate lower 0,25%, equity would be lower by TL 45.058 (31 December 2019: TL 55.601).

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.

(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 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Financial assets				
Cash and cash equivalents	5.007.927	4.946.070	5.007.927	4.946.070
Trade and other receivables (including related parties)	6.585.291	6.115.801	6.585.291	6.115.801
Financial investments (*)	17.956	14.693	(*)	(*)
Derivative financial assets	1.240.177	408.522	1.240.177	408.522
Financial liabilities				
Bank borrowings	12.360.529	13.758.315	12.360.529	13.758.259
Issued debt instruments	7.536.377	5.884.079	7.952.273	6.127.415
Financial leasing liabilities	1.337.686	1.140.761	1.337.686	1.140.761
Trade payables and other liabilities (including related parties) (**)	6.422.255	5.645.217	6.422.255	5.645.217
Derivative financial liabilities	715.005	710.715	715.005	710.715

(*) Group's share in financial investments are carried at cost. Information on fair value of share in these investments are not available.

(**)Trade payables and other liabilities item includes trade and other payables, employee benefit obligations and other liabilities contained within other current liabilities. Taxes and other payables contained within employee benefit obligations and advances contained within other current liabilities are excluded.

Fair value hierarchy table

The group classifies the fair value measurement of each class of financial instruments according to the source, using the three-level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques includes direct or indirect observable inputs

Level 3: Valuation techniques does not contains observable market inputs

(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 2020 is as follows:

			Fair Value Measurement		
	Date of Valuation	**Total**	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Financial assets measured at fair value:					
Derivative Financial Assets:					
Cross currency swaps	31 December 2020	1.207.467	–	1.207.467	–
Interest rate swaps	31 December 2020	32.710	–	32.710	–
Financial liabilities measured at fair value:					
Issued debt instruments	31 December 2020	3.658.788	3.658.788	–	–
Derivative Financial Liabilities:					
Interest rate swaps	31 December 2020	347.286	–	347.286	–
Cross currency swaps	31 December 2020	361.100	–	361.100	–
Commodity derivative (Copper)	31 December 2020	6.619	–	6.619	–
Other financial liabilities not measured at fair value					
Bank loans	31 December 2020	12.360.529	–	12.360.529	–
Issued debt instruments	31 December 2020	4.293.485	4.293.485	–	–

(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 2019 is as follows:

			Fair Value Measurement		
	Date of Valuation	**Total**	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Financial assets measured at fair value:					
Derivative Financial Assets:					
Cross currency swaps	31 December 2019	373.121	−	373.121	−
Interest rate swaps	31 December 2019	35.401	−	35.401	−
Financial liabilities measured at fair value:					
Issued debt instruments	31 December 2019	2.876.254	2.876.254	−	−
Derivative Financial Liabilities:					
Interest rate swaps	31 December 2019	173.362	−	173.362	−
Cross currency swaps	31 December 2019	517.664	−	517.664	−
Commodity derivative (Copper)	31 December 2019	19.689	−	19.689	−
Other financial liabilities not measured at fair value					
Bank loans	31 December 2019	13.758.259	−	13.758.259	−
Issued debt instruments	31 December 2019	3.251.161	3.251.161	−	−

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 2019 and 2020.