

**Türk Telekomünikasyon
Anonim Şirketi and Its Subsidiaries
30 September 2023**

Interim Condensed Consolidated
Financial Statements As At and For
The Nine Months Period
Ended 30 September 2023

6 November 2023

This report contains 1 pages of “Independent Auditor’s Report” and 48 pages of financial statements and explanatory notes.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT AS AT AND FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023

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

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT

30 SEPTEMBER 2023

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

		Current period	Prior period
		Unaudited	Audited
	Notes	30 September 2023	31 December 2022
Assets			
Total current assets		44.474.904	26.187.700
Cash and cash equivalents	6	11.968.762	5.124.899
Financial investments	15	7.866.826	4.880.842
Trade receivables			
- Trade receivables due from related parties	8	529.687	508.513
- Trade receivables due from unrelated parties	9	12.436.689	8.249.733
Other receivables			
- Other receivables due from unrelated parties		283.897	161.861
Contract assets			
- Contract assets from sale of goods and service contracts	9	2.927.043	1.395.079
Derivative financial assets			
- Derivative financial assets held for trading	14	353.438	233.697
- Derivative financial assets held for hedging	14	4.309.962	3.759.247
Inventories		1.070.996	682.708
Prepayments			
- Prepayments to unrelated parties		1.204.164	447.261
Current tax assets		41.644	9.588
Other current assets			
- Other current assets due from unrelated parties		1.444.435	696.911
Subtotal		44.437.543	26.150.339
Non-current assets classified as held for sale		37.361	37.361
Total non-current assets		75.231.323	54.544.004
Financial investments			
- Other financial investments	15	124.357	24.596
Trade receivables			
- Trade receivables due from unrelated parties	9	205.238	185.720
Other receivables			
- Other receivables due from unrelated parties		56.437	73.958
Contract assets			
- Contract assets from sale of goods and service contracts	9	23.201	35.799
Derivative financial assets			
- Derivative financial assets held for trading	14	-	89.337
Right of use assets		2.155.270	1.800.672
Investment property		12.523	13.791
Property, plant and equipment			
- Land and premises		24.161.907	12.888.382
- Buildings		680.976	711.311
- Machinery and equipments		15.184.654	13.829.614
- Other property, plant and equipment		4.712.147	2.520.695
Intangible assets			
- Goodwill		44.944	44.944
- Rights regarding concession agreements		7.933.694	7.367.172
- Concession agreements assets		2.928.645	1.596.032
- Licences		1.589.697	1.807.982
- Other intangible assets		9.003.844	6.957.710
Prepayments			
- Prepayments to unrelated parties		231.205	178.518
Deferred tax asset	17	6.182.191	4.417.759
Other non-current assets			
- Other non-current assets due from unrelated parties		393	12
Total assets		119.706.227	80.731.704

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

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT

30 SEPTEMBER 2023

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

		Current period	Prior period
		Unaudited	Audited
	Notes	30 September 2023	31 December 2022
Liabilities			
Total current liabilities		50.423.779	26.366.177
Financial liabilities			
Financial liabilities from related parties			
- Bank loans	7,8	4.315.629	1.356.755
Financial liabilities from unrelated parties			
- Bank loans	7	5.737.053	4.758.870
- Lease liabilities	7	161.346	4.406
- Issued debt instruments	7	2.475.158	1.471.673
Current portion of long term financial liabilities			
Current portion of long term financial liabilities from unrelated parties			
- Bank loans	7	6.187.254	3.833.108
- Lease liabilities	7	800.464	622.819
- Issued debt instruments	7	13.099.045	270.696
Trade payables			
- Trade payables to related parties	8	111.275	173.777
- Trade payables to unrelated parties	9	9.984.679	9.294.752
Employee benefit obligations		1.334.448	604.529
Other payables			
- Other payables to unrelated parties		2.807.658	1.814.621
Derivative financial liabilities			
- Derivative financial liabilities held for trading	14	394.916	141.527
Contract liabilities			
- Contract liabilities from sale of goods and service contracts		1.490.606	1.009.561
Current tax liabilities	17	91.102	67.524
Current provisions			
- Current provisions for employee benefits	11	890.378	569.405
- Other current provisions	11	191.442	200.431
Other current liabilities			
- Other current liabilities to unrelated parties		351.326	171.723
Total non-current liabilities		36.828.902	34.395.248
Long term financial liabilities			
Long term financial liabilities from unrelated parties			
- Bank loans	7	16.057.639	11.402.281
- Lease liabilities	7	980.533	892.391
- Issued debt instruments	7	12.482.368	17.307.353
Other payables			
- Other payables to unrelated parties		76.391	58.125
Contract liabilities			
- Contract liabilities from sale of goods and service contracts		2.585.754	1.991.476
Non-current provisions			
- Non-current provisions for employee benefits	11	4.264.272	2.445.098
- Other non-current provisions		10.627	10.627
Deferred tax liabilities	17	371.318	287.897
Total liabilities		87.252.681	60.761.425

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT

30 SEPTEMBER 2023

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

	Current period		Prior period
	Unaudited		Audited
	<i>Notes</i>	30 September 2023	31 December 2022
Equity		32.453.546	19.970.279
Equity attributable to equity holders of the parent			
Issued capital		3.500.000	3.500.000
Inflation adjustments on capital		(239.752)	(239.752)
Repurchased shares (-)		(9.742)	-
Other accumulated comprehensive income/ (loss) that will not be reclassified in profit or loss			
Losses from investments in equity instruments		(11.840)	(11.840)
Gains / (losses) on revaluation and remeasurement			
- <i>Losses on remeasurements of defined benefit plans</i>		(2.544.448)	(1.659.893)
- <i>Increases on revaluation of property, plant and equipment</i>		19.102.759	11.036.817
Losses due to change in fair value of financial liability attributable to change in credit risk of liability		(60.944)	(27.934)
Effect of business combinations under common control		(1.320.942)	(1.320.942)
Other accumulated comprehensive income / (loss) that will be reclassified in profit or loss			
Gains / (losses) on hedges			
- <i>Gains on cash flow hedges</i>		1.283.762	1.356.011
- <i>Losses on hedges of net investment in foreign operations</i>		(2.444.163)	(1.589.185)
Change in value of time value of options		(2.415.603)	(3.145.717)
Exchange differences on translation		3.155.420	2.167.156
Restricted reserves appropriated from profits		401.636	391.894
Retained earnings		9.509.082	5.378.818
Profit for the year		4.548.321	4.134.846
Total liabilities and equity		119.706.227	80.731.704

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023

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

		Current Period	Current Period	Prior Period	Prior Period
		Unaudited	Unaudited	Unaudited	Unaudited
		1 January - 30	1 July - 30	1 January - 30	1 July - 30
	<i>Notes</i>	September 2023	September 2023	September 2022	September 2022
Revenue	5	55.562.284	22.361.905	32.755.034	12.551.972
Cost of sales (-)		(34.127.270)	(13.289.160)	(19.869.867)	(7.628.663)
Gross profit		21.435.014	9.072.745	12.885.167	4.923.309
General administrative expenses (-)		(6.011.348)	(2.413.377)	(2.936.780)	(1.093.684)
Marketing, sales and distribution expenses (-)		(4.962.564)	(1.923.982)	(2.726.989)	(1.066.938)
Research and development expenses (-)		(654.498)	(254.258)	(311.068)	(124.654)
Other operating income		1.162.926	8.963	518.755	190.817
Other operating expense (-)		(2.316.637)	(51.705)	(1.036.526)	(356.539)
Operating profit		8.652.893	4.438.386	6.392.559	2.472.311
Impairment gains / (losses) and reversal of impairment losses determined in accordance with IFRS 9, net		(236.938)	(117.861)	(127.652)	(41.597)
Investment activity income		3.101.865	942.538	2.419.132	983.780
Investment activity expenses (-)		(409)	(121)	(17.306)	(901)
Profit before financing expense		11.517.411	5.262.942	8.666.733	3.413.593
Finance income		8.125.424	564.372	3.287.347	877.966
Finance costs (-)		(19.027.352)	(3.777.116)	(11.093.089)	(3.893.954)
Profit from continuing operations, before tax	5	615.483	2.050.198	860.991	397.605
Tax (expense) / income, continuing operations					
- Current period tax expense		(208.069)	(48.373)	(336.298)	(42.506)
- Deferred tax (expense) / income		4.140.907	2.501.831	2.599.491	816.214
Profit for the year		4.548.321	4.503.656	3.124.184	1.171.313
Earnings per shares attributable to equity holders of the parent from (in full Kuruş)	4	1,2995	1,2868	0,8926	0,3347
Earnings per diluted shares attributable to equity holders of the parent from (in full Kuruş)	4	1,2995	1,2868	0,8926	0,3347

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

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023

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

	Current Period	Current Period	Prior Period	Prior Period
	Unaudited	Unaudited	Unaudited	Unaudited
	1 January - 30	1 July - 30	1 January - 30	1 July - 30
<i>Notes</i>	September 2023	September 2023	September 2022	September 2022
Profit for the period	4.548.321	4.503.656	3.124.184	1.171.313
Other comprehensive income:				
Other comprehensive income that will not be reclassified to profit or loss	7.152.666	7.793.268	5.863.620	5.804.027
Gain from revaluation of property, plant and equipments	9.927.313	9.927.313	6.429.670	6.429.670
Losses on remeasurements of defined benefit plans	(1.179.407)	(355.289)	(389.788)	(35.345)
Change in fair value of financial liability attributable to change in credit risk of liability	(42.072)	(68.693)	487.207	57.000
Tax effect of other comprehensive income items not to be reclassified to profit or loss				
-Taxes relating to remeasurements of defined benefit plans	294.852	132.632	76.939	7.069
-Tax effect of revaluation of property, plant and equipment	(1.861.371)	(1.861.371)	(642.967)	(642.967)
- Taxes relating to change in fair value of financial liability attributable to change in credit risk of liability	13.351	18.676	(97.441)	(11.400)
Other comprehensive income that will be reclassified to profit or loss	791.151	126.400	1.169.035	421.319
Exchange differences on translation	988.264	40.275	416.499	109.342
Gains on cash flow hedges	(96.333)	(126.776)	795.255	161.100
Losses on hedges of net investments in foreign operations	(1.139.971)	(107.812)	(310.502)	(62.080)
Gains on change in value of time value of options	973.484	325.816	455.916	290.951
Tax effect on other comprehensive income items to be reclassified to profit or loss				
-Taxes relating to cash flow hedges	24.084	30.172	(159.051)	(32.220)
-Taxes relating to gains on hedges of net investments in foreign operations	284.993	78.561	62.101	12.416
-Taxes relating to change in value of time value of options of other comprehensive (loss)	(243.370)	(113.836)	(91.183)	(58.190)
Other comprehensive income	7.943.817	7.919.668	7.032.655	6.225.346
Total comprehensive income	12.492.138	12.423.324	10.156.839	7.396.659

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023

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

				Other accumulated comprehensive income / (loss) that will not be reclassified in profit or loss					Other accumulated comprehensive income / (loss) that will be reclassified in profit or loss					Retained earnings / (losses)		Total equity
	Issued capital	Inflation adjustments on capital	Repurchased shares (-)	Effect of business combinations under common control	Gains / (losses) on revaluation and remeasurement		Gains / (losses) due to change in fair value of financial liability attributable to change in credit risk of liability	Gains / (losses) on hedge			Restricted reserves appropriated from profits	Retained earnings	Profit for the year			
					Gains / (losses) from investments in equity instruments	Increases on revaluation of property, plant and equipment		Gains / (losses) on remeasurements of defined benefit plans	Gains / (losses) on hedges of net investment in foreign operations	Gains / (losses) on cash flow hedges				Change in value of time value of options	Exchange differences on translation	
Balance at 1 January 2022	3.500.000	(239.752)	–	(1.320.942)	(11.840)	5.231.590	(911.454)	76.534	(1.157.022)	876.407	(4.074.549)	1.555.755	2.568.388	2.395.335	5.761.454	14.249.904
Transfers	–	–	–	–	–	–	–	–	–	–	–	–	(2.176.494)	7.937.948	(5.761.454)	–
Total comprehensive income	–	–	–	–	–	5.786.703	(312.849)	389.766	(248.401)	636.204	364.733	416.499	–	–	3.124.184	10.156.839
Profit for period	–	–	–	–	–	–	–	–	–	–	–	–	–	–	3.124.184	3.124.184
Other comprehensive income	–	–	–	–	–	5.786.703	(312.849)	389.766	(248.401)	636.204	364.733	416.499	–	–	–	7.032.655
Dividends paid	–	–	–	–	–	–	–	–	–	–	–	–	–	(4.954.565)	–	(4.954.565)
Balance at 30 September 2022	3.500.000	(239.752)	–	(1.320.942)	(11.840)	11.018.293	(1.224.303)	466.300	(1.405.423)	1.512.611	(3.709.816)	1.972.254	391.894	5.378.718	3.124.184	19.452.178
Balance at 1 January 2023	3.500.000	(239.752)	–	(1.320.942)	(11.840)	11.036.817	(1.659.893)	(27.934)	(1.589.185)	1.356.011	(3.145.717)	2.167.156	391.894	5.378.818	4.134.846	19.970.279
Transfers	–	–	–	–	–	–	–	–	–	–	–	–	–	4.134.846	(4.134.846)	–
Total comprehensive income	–	–	–	–	–	8.065.942	(884.555)	(28.721)	(854.978)	(72.249)	730.114	988.264	–	–	4.548.321	12.492.138
Profit for period	–	–	–	–	–	–	–	–	–	–	–	–	–	–	4.548.321	4.548.321
Other comprehensive income	–	–	–	–	–	8.065.942	(884.555)	(28.721)	(854.978)	(72.249)	730.114	988.264	–	–	–	7.943.817
Other Adjustments	–	–	–	–	–	–	–	(4.289)	–	–	–	–	–	5.160	–	871
Increase / (decrease) due to share repurchased transactions (*)	–	–	(9.742)	–	–	–	–	–	–	–	–	–	9.742	(9.742)	–	(9.742)
Balance at 30 September 2023	3.500.000	(239.752)	(9.742)	(1.320.942)	(11.840)	19.102.759	(2.544.448)	(60.944)	(2.444.163)	1.283.762	(2.415.603)	3.155.420	401.636	9.509.082	4.548.321	32.453.546

(*) As of 30 September 2023, shares with a nominal value of TL 500, corresponding to 0.014% of the company's shares, have been bought back to amount of TL 9.742.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS
PERIOD ENDED 30 SEPTEMBER 2023

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

		Current Period	Prior Period
		Unaudited	Unaudited
	<i>Notes</i>	1 January - 30 September 2023	1 January - 30 September 2022
Net profit for the period:		4.548.321	3.124.184
Adjustments to reconcile profit:			
Adjustments for depreciation and amortisation expense		8.094.158	5.758.918
Adjustments for impairment loss / (reversal of impairment loss)			
- Adjustments for impairment loss of receivables		283.673	132.357
- Adjustments for impairment loss of inventories		(108)	787
- Adjustments for impairment loss of property, plant and equipment		168.502	(433)
- Other adjustments for impairment loss (reversal of impairment loss)		(46.735)	1.295
Adjustments for provisions			
- Adjustments for (reversal of) provisions related with employee benefits		1.973.120	767.515
- Adjustments for (reversal of) lawsuit and/or penalty provisions		119.809	55.059
Adjustments for interest expenses and income			
- Adjustments for interest income		(1.251.704)	(354.931)
- Adjustments for interest expense		3.869.076	2.358.642
- Deferred financial expenses from credit purchases		208.873	47.963
Adjustments for unrealised foreign exchange losses		8.158.080	6.932.006
Adjustments for fair value losses / (gains)			
- Adjustments for fair value (gains) / losses on derivative financial instruments		399.519	(9.891)
- Adjustments for fair value losses of issued financial instruments		99.291	(491.872)
- Adjustments for fair value losses of financial assets		(2.695.310)	(1.555.642)
Adjustments for tax expense / (income)		(3.932.838)	(2.263.193)
Adjustments for losses on disposal of tangible assets			
- Adjustments for losses arises from sale of tangible assets	10	(317.514)	(846.184)
Adjustments for losses / (gains) on disposal of subsidiaries		(88.632)	-
Other adjustments for which cash effects are investing or financing cash flow		230.997	124.993
Other adjustments for non-cash items	16	(396.346)	(232.772)
Operating profit before working capital changes		19.424.232	13.548.801
Changes in working capital:			
Adjustments for (increase) / decrease in trade receivables			
- (Increase) / decrease in trade receivables from related parties		(21.174)	(296.317)
- Decrease in trade receivables from unrelated parties		(5.933.547)	(1.902.476)
Adjustments for (increase) / decrease in inventories		(388.180)	(630.775)
Adjustments for increase / (decrease) in trade payable			
- Decrease / increase in trade payables to related parties		(62.502)	210.394
- Decrease in trade payables to unrelated parties		179.878	(1.706.872)
Adjustments for (increase) / decrease in other receivables related with operations			
- (Increase) / decrease in other unrelated party receivables related with operations		(1.696.590)	(478.620)
Adjustments for increase in other operating payables related with operations			
- Increase in other payables related with operations to unrelated parties		2.094.393	942.739
Cash flow from operations:			
Interest received		169.058	167.494
Payments related with provisions for employee benefits		(1.162.908)	(544.167)
Payments related with other provisions		(81.890)	(101.017)
Income taxes paid		(216.547)	(458.014)
Other outflows of cash	16	(269.104)	166.883
Net cash generated from operating activities		12.035.119	8.918.053

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023

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

		Current Period	Prior Period
		Unaudited	Unaudited
		1 January -	1 January -
	<i>Notes</i>	30 September 2023	30 September 2022
Cash flows used in investing activities:			
Cash outflows arising from capital advance payments to associates and/or joint ventures		(86.397)	(10.384)
Proceeds from sale of property, plant, equipment and intangible assets			
- <i>Proceeds from sales of property, plant and equipment</i>	<i>10</i>	324.831	931.122
Purchases of property, plant, equipment and intangible assets			
- <i>Purchase of property, plant and equipment</i>		(6.055.943)	(3.346.928)
- <i>Purchase of intangible assets</i>		(6.330.872)	(3.624.796)
Cash outflows arising from acquisition of shares or debt instruments of other businesses or funds		(8.640.818)	(5.343.381)
Cash inflows arising from acquisition of shares or debt instruments of other businesses or funds		8.350.144	1.611.026
Net cash used in investing activities		(12.439.055)	(9.783.341)
Cash flows from financing activities:			
Proceed from borrowings			
- <i>Proceeds from loans</i>		21.439.118	7.256.242
- <i>Cash inflows from issued debt instruments</i>		3.002.113	1.851.600
Repayments of borrowings			
- <i>Loan repayments</i>		(18.616.430)	(4.799.786)
- <i>Payment of issued of debt instruments</i>		(2.898.061)	(962.941)
Payments of lease liabilities, net		(1.205.422)	(929.728)
Cash inflows / (outflows) from derivative instruments, net		6.744.921	3.095.608
Dividend paid		-	(4.954.565)
Interest paid		(3.091.948)	(1.742.603)
Interest received		1.082.646	187.437
Cash outflows from the business' own acquisition of shares		(9.742)	-
Other cash (outflows) / inflows	<i>16</i>	(869.548)	121.100
Net cash used in financing activities		5.577.647	(877.636)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES		5.173.711	(1.742.924)
IMPACT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		591.577	235.968
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		3.452.277	6.344.886
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6	9.217.565	4.837.930

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

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

1. REPORTING ENTITY

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

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

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

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

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

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

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

As at 30 September 2023, the parent company and controlling party of the Company is Turkish Wealth Fund.

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1. REPORTING ENTITY (CONTINUED)

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

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

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1. REPORTING ENTITY (CONTINUED)

The details of the Company’s subsidiaries as at 30 September 2023 and 31 December 2022 are as follows:

Name of Subsidiary	Place of incorporation and operation	Principal activity	Functional Currency	Effective ownership of the Company (%)	
				30 September 2023	31 December 2022
TTNet Anonim Şirketi (“TTNet”)	Turkey	Internet service provider	Turkish Lira	100	100
TT Mobil İletişim Hizmetleri A.Ş. (“TT Mobil”)	Turkey	GSM operator	Turkish Lira	100	100
Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret Anonim Şirketi (“Argela”)	Turkey	Telecommunication solutions	Turkish Lira	100	100
Innova Bilişim Çözümleri Anonim Şirketi (“Innova”)	Turkey	Telecommunication solutions	Turkish Lira	100	100
Assist Rehberlik ve Müşteri Hizmetleri Anonim Şirketi (“AssisTT”)	Turkey	Call center and customer relations	Turkish Lira	100	100
Sebit Eğitim ve Bilgi Teknolojileri A.Ş. (“Sebit”)	Turkey	Web Based Learning	Turkish Lira	100	100
NETSIA Inc.	USA	Telecommunications solutions	U.S. Dollar	100	100
Sebit LLC	USA	Web based learning	U.S. Dollar	100	100
TT International Holding B.V. (“TT International”) (*)	Netherlands	Holding company	Euro	100	100
Türk Telekom International AT GmbH (“TTINT Austria”) (*) (**)	Austria	Internet/data services, infrastructure and wholesale voice services provider	Euro	--	100
Türk Telekom International Hu Kft (TTINT Hungary) (*)	Hungary	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
S.C. Euroweb Romania S.A. (“TTINT Romania”) (*)	Romania	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International Bulgaria EODD (“TTINT Bulgaria”) (*)	Bulgaria	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International CZ s.r.o (“TTINT Czech Republic”) (*)	Czech Republic	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International SRB d.o.o (“TTINT Serbia”) (*)	Serbia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
TTINT Telekomunikacije d.o.o. (“TTINT Slovenia”) (*)	Slovenia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International SK s.r.o (“TTINT Slovakia”) (*)	Slovakia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
TT International Telekomünikasyon Sanayi ve Ticaret Limited Şirketi (“TTINT Turkey”) (*)	Turkey	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International UA LLC (“TTINT Ukraine”) (*)	Ukraine	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International Italy S.R.L. (TTINT Italy) (*)	Italy	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
TTINT International MK DOOEL (“TTINT Macedonia”) (*)	Macedonia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International RU LLC (“TTINT Russia”) (*)	Russia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekomünikasyon Euro GmbH. In Liquidation (“TT Euro”) (*) (**)	Germany	Mobil service marketing	Euro	--	100
Türk Telekom International d.o.o. (*)	Croatia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International HK Limited (*)	Hong Kong	Internet/data services, infrastructure and wholesale voice services provider	H.K. Dollar	100	100
Net Ekran TV ve Medya Hiz. A.Ş. (“Net Ekran”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
TTES Elektrik Tedarik Satış A.Ş. (“TTES”)	Turkey	Electrical energy trading	Turkish Lira	100	100
TT Ödeme ve Elektronik Para Hizmetleri A.Ş.	Turkey	Mobile finance	Turkish Lira	100	100
Net Ekran1 TV ve Medya Hiz. A.Ş. (“Net Ekran1”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran2 TV ve Medya Hiz. A.Ş. (“Net Ekran2”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran3 TV ve Medya Hiz. A.Ş. (“Net Ekran3”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran4 TV ve Medya Hiz. A.Ş. (“Net Ekran4”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran6 TV ve Medya Hiz. A.Ş. (“Net Ekran6”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran10 TV ve Medya Hiz. A.Ş. (“Net Ekran10”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran11 TV ve Medya Hiz. A.Ş. (“Net Ekran11”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
TT Satış ve Dağıtım Hizmetleri Anonim Şirketi	Turkey	Selling and distribution services	Turkish Lira	100	100
TT Ventures Proje Geliştirme A.Ş.	Turkey	Corporate venture capital	Turkish Lira	100	100
TT Destek Hizmetleri A.Ş.	Turkey	Provider of combined facilities support activities	Turkish Lira	100	100
APPYAP Teknoloji ve Bilişim A.Ş.	Turkey	Web portal and computer programming activities	Turkish Lira	100	100
TIG Finansal Teknolojiler A.Ş.	Turkey	Financial advisory services	Turkish Lira	100	100
TTG Ventures Marketing Inc.	USA	Retail and wholesale trade of software programs	U.S. Dollar	100	100
Assist Holland B.V	Netherlands	Call center activities	Euro	100	100
TT Finansman A.Ş.	Turkey	Consumer finance company activities	Turkish Lira	100	100

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

(**) The liquidation process was completed as of 22 September 2023.

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(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 30 September 2023 and 31 December 2022 are as follows:

Name of Joint Operation	Place of incorporation and operation	Principal activity	Functional Currency	Effective ownership of the Company (%)	
				30 September 2023	31 December 2022
TT Mobil-Vodafone Evrensel İş Ortaklığı	Turkey	Internet/data services, infrastructure and wholesale voice services provider	Turkish Lira	51	51

Affiliate	Place of incorporation and operation	Principal activity	Functional Currency	Effective ownership of the Company (%)	
				30 September 2023	31 December 2022
TT Ventures Girişim Sermayesi Yatırım Fonu	Turkey	Internet/data services, infrastructure and wholesale voice services provider	Turkish Lira	100	–

The Group indirectly holds investment in its affiliates, which has a significant influence, through its contribution payments to the established Venture Capital Investment Fund. The Group has chosen to measure this investment at fair value through profit or loss in accordance with TFRS 9.

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

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

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

The number of personnel subject to collective agreement as at 30 September 2023 is 9.406 (31 December 2022: 9.869) and the number of personnel not subject to collective agreement as at 30 September 2023 is 28.232 (31 December 2022: 29.564). The total number of personnel as at 30 September 2023 and 31 December 2022 are 37.638 and 39.433, respectively.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation of the interim condensed consolidated financial statements

a) Statement of compliance with TFRS

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTUNIED)

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

a) Statement of compliance with TFRS (continued)

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

In accordance with the TAS, the entities are allowed to prepare a complete or condensed set of interim financial statements in accordance with TAS 34, “Interim Financial Reporting”. In this respect, the Group preferred to present its interim condensed consolidated financial statements as of 30 September 2023. The Group’s interim condensed consolidated financial statement does not include all disclosures and notes that should be included at year-end financial statements. Therefore, the interim condensed consolidated financial statements should be examined together with the 31 December 2022 year-end financial statements.

Approval of the financial statements:

The interim condensed consolidated financial statements are approved by the Company’s Board of Directors on 6 November 2023. General Assembly has the right to change the interim condensed consolidated financial statements.

b) Correction of financial statements during the hyperinflationary periods

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

TAS 29 Financial Reporting in Hyperinflation Economies requires entities whose functional currency is that of a hyperinflationary economy to prepare their financial statements in terms of the measuring unit current at the end of the reporting period. TAS 29 describes characteristics that may indicate that an economy is hyperinflationary and it recommends all entities that report in the currency of the same hyperinflationary economy apply this Standard from the same date. In the announcement published by the Public Oversight Accounting and Auditing Standards Authority (POB) on 20 January 2022, it is stated that TAS 29 Financial Reporting in Hyperinflationary Economies does not apply to the TFRS financial statements as of 31 December 2022. Nevertheless, the Authority has not published any announcement on whether the entities would restate their financial statements for the accounting period ending on 30 September 2023 in accordance with TAS 29. In this context, since there is no consensus on the application of inflation accounting in TFRS financial statements throughout the country, and it is expected that POB will delay the application of TAS 29, financial statements as of 30 September 2023 are not adjusted for inflation in accordance with TAS 29 in order to ensure comparability.

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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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

d) Functional and presentation currency

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

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

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

Additional paragraph for convenience translation to English:

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

e) Significant accounting assessments, estimates and assumptions

In order to prepare financial statements in accordance with TFRS, certain assumptions affecting notes to the financial statements and critical accounting estimations related to assets, liabilities, contingent assets and contingent liabilities are required to be used. Although these estimations are made upon the best afford of the management by interpreting the cyclical circumstances, actual results may differ from the forecasts. Issues that are complex and needs further interpretation, which might have a critical impact on financial statements. There is no change in judgments and critical accounting estimates compared to prior year used in interim condensed consolidated financial statements as 30 September 2023.

Determination of fair values

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

i) Trade and other receivables

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

ii) Forward contracts and interest rate swaps

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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

Determination of fair values (continued)

iii) Issued debt instruments

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

iv) Other non-derivative financial liabilities

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

v) Lands

Lands accounted as property, plant and equipment are measured at revalued amount. Revalued amount for lands is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Fair value of the lands was determined using the market comparable method. The valuations are based on prices of transactions for lands of similar nature and location.

vi) Taxes

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

Deferred tax charge is calculated in accordance with the enacted tax laws. The accounting policies used by the Group in calculating deferred tax are the same as those used in the audited consolidated financial statements as of 31 December 2022, except for the use of the corporate tax rate enacted in the nine months interim period ended 30 September 2023.

In accordance with the Law No. 7440 on the "Restructuring of Certain Receivables and Amending Certain Laws" published in the Official Gazette on 12 March 2023, with the exceptions and deductions subject to deduction from corporate income in accordance with the regulations in the laws, by being shown in the corporate tax return for the year 2022. An additional tax should be calculated over the bases subject to reduced corporate tax, without being associated with the period income, and over the exempted earnings. As of 30 September 2023, these taxes have been expensed in the financial statements.

vii) Foreign Currency Protected TL Deposit

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as of 30 September 2023 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of 1 January 2023 and thereafter. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as of 1 January 2023 are as follows:

Amendments to TAS 1 - Disclosure of Accounting Policies

In August 2021, POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. In the absence of a definition of the term ‘significant’ in TFRS, the POA decided to replace it with ‘material’ in the context of disclosing accounting policy information. ‘Material’ is a defined term in TFRS and is widely understood by the users of financial statements, according to the POA. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added.

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

Amendments to TAS 8 - Definition of Accounting Estimates

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

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

The new standards, amendments and interpretations (continued)

i) The new standards, amendments and interpretations which are effective as of 1 January 2023 are as follows (continued)

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

In August 2021, POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized.

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

Amendments to TAS 12 - International Tax Reform - Pillar Two Model Rules

In September 2023, POA issued amendments to TAS 12, which introduce a mandatory exception in TAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. The amendments clarify that TAS 12 applies to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD). The amendments also introduced targeted disclosure requirements for entities affected by the tax laws. The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception apply immediately and retrospectively upon issue of the amendments. However, certain disclosure requirements are not required to be applied for any interim period ending on or before 31 December 2023.

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

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

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

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

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

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

The new standards, amendments and interpretations (continued)

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

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

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

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

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

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

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

The new standards, amendments and interpretations (continued)

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

TFRS 17 - The new Standard for insurance contracts

POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. The mandatory effective date of the Standard postponed to accounting periods beginning on or after 1 January 2024 with the announcement made by the POA.

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

Amendments to TAS 7 and TFRS 7 - Disclosures: Supplier Finance Arrangements

The amendments issued by POA in September 2023 specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk. Supplier finance arrangements are characterized by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. The amendments require an entity to provide information about terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those liabilities. In the context of quantitative liquidity risk disclosures required by TFRS 7, supplier finance arrangements are also included as an example of other factors that might be relevant to disclose. The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed.

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

iii) The new amendments that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following amendments to IAS 12 as well as IAS 7 and IFRS 7 are issued by IASB but not yet adapted/issued by POA. Therefore, they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the amendments are issued and become effective under TFRS.

Amendments to IAS 21 - Lack of exchangeability

In August 2023, IASB issued amendments to IAS 21. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity’s financial performance, financial position and cash flows.

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

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3. SEASONAL CHANGES IN THE OPERATIONS

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

4. EARNINGS PER SHARE

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
Weighted average number of ordinary shares outstanding during the year	350.000.000.000	350.000.000.000	350.000.000.000	350.000.000.000
Net profit for the period attributable to equity holders of the Company	4.548.321	4.503.656	3.124.184	1.171.313
Basic and earnings per share (in full kuruş)	1,2995	1,2868	0,8926	0,3347

5. SEGMENT REPORTING

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

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5. SEGMENT REPORTING (CONTINUED)

	Fixed line		Mobile		Intra-group eliminations and consolidated adjustments		Consolidated	
	1 January - 30	1 January - 30	1 January - 30	1 January - 30	1 January - 30	1 January - 30	1 January - 30	1 January - 30
	September 2023	September 2022	September 2023	September 2022	September 2023	September 2022	September 2023	September 2022
Revenue	37.171.539	23.251.218	20.862.009	11.449.208	(2.471.264)	(1.945.392)	55.562.284	32.755.034
International revenue	3.463.557	2.165.050	–	–	–	–	3.463.557	2.165.050
Contributive revenue (*)	34.799.495	21.363.017	20.762.789	11.392.017	–	–	55.562.284	32.755.034
EBITDA	10.545.760	9.467.000	8.236.852	4.081.042	13.522	5.770	18.796.134	13.553.812
Contributive adjusted EBITDA (**)	9.504.210	8.792.228	9.291.924	4.761.584	–	–	18.796.134	13.553.812
Capital expenditure (***)	8.702.098	4.966.104	3.929.880	2.110.421	13.351	6.357	12.645.329	7.082.882
Impairments losses, net	(345.259)	(112.706)	(60.073)	(21.300)	–	–	(405.332)	(134.006)
Depreciation and amortization	(5.289.837)	(3.590.555)	(2.804.321)	(2.168.363)	–	–	(8.094.158)	(5.758.918)

	Fixed line		Mobile		Intra-group eliminations and consolidated adjustments		Consolidated	
	1 July - 30	1 July - 30	1 July - 30	1 July - 30	1 July - 30	1 July - 30	1 July - 30	1 July - 30
	September 2023	September 2022	September 2023	September 2022	September 2023	September 2022	September 2023	September 2022
Revenue	14.754.290	8.730.913	8.575.595	4.539.691	(967.980)	(718.632)	22.361.905	12.551.972
International revenue	1.433.715	859.259	–	–	–	–	1.433.715	859.259
Contributive revenue (*)	13.824.898	8.035.976	8.537.007	4.515.996	–	–	22.361.905	12.551.972
EBITDA	4.198.282	3.351.606	3.777.734	1.674.618	2.839	8.359	7.978.855	5.034.583
Contributive adjusted EBITDA (**)	3.833.020	3.119.907	4.145.835	1.914.676	–	–	7.978.855	5.034.583
Capital expenditure (***)	3.612.602	2.185.510	2.008.420	933.304	17.623	8.918	5.638.645	3.127.732
Impairments losses, net	(78.330)	(30.965)	(41.097)	(11.560)	–	–	(119.427)	(42.525)
Depreciation and amortization	(1.925.400)	(1.330.483)	(1.002.124)	(705.955)	–	–	(2.927.524)	(2.036.438)

(*) “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 396.346 (30 September 2022: TL 232.772) amounted profit margin which is capitalized on intangible assets that are accounted within the scope of TFRS Interpretation 12.

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5. SEGMENT REPORTING (CONTINUED)

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
Fixed line contributive EBITDA	9.504.210	3.833.020	8.792.228	3.119.907
Mobile contributive EBITDA	9.291.924	4.145.835	4.761.584	1.914.676
EBITDA	18.796.134	7.978.855	13.553.812	5.034.583
Foreign exchange gains, interest income, discount income on current accounts presented in other operating income	2.926.195	174.158	1.740.778	674.241
Foreign exchange losses, interest income, discount income on current accounts presented in other operating expense (-)	(1.942.258)	40.524	(869.372)	(263.865)
Financial income	8.125.424	564.372	3.287.347	877.966
Financial expense (-)	(19.027.352)	(3.777.116)	(11.093.089)	(3.893.954)
Depreciation, amortisation and impairment	(8.262.660)	(2.930.595)	(5.758.485)	(2.031.366)
Consolidated profit before tax	615.483	2.050.198	860.991	397.605
30 September 2023	Fixed Line	Mobile	Eliminations	Consolidated
Total segment assets	94.621.499	35.718.117	(10.633.389)	119.706.227
Total segment liabilities	(83.725.718)	(14.160.352)	10.633.389	(87.252.681)
Goodwill	15.250	29.694	-	44.944
Assets held for sale	-	37.361	-	37.361
31 December 2022	Fixed Line	Mobile	Eliminations	Consolidated
Total segment assets	63.508.611	22.237.665	(5.014.572)	80.731.704
Total segment liabilities	(57.536.659)	(8.239.338)	5.014.572	(60.761.425)
Goodwill	15.250	29.694	-	44.944
Assets held for sale	-	37.361	-	37.361

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6. CASH AND CASH EQUIVALENTS

	30 September 2023	31 December 2022
Cash on hand	3.937	1.645
Cash at banks - demand deposit	1.494.254	948.236
Cash at banks - time deposit	9.354.518	3.574.795
Liquid fund (*)	1.116.053	600.223
	11.968.762	5.124.899

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

As of 30 September 2023, 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 43% for TL deposits, between 1,50% and 6,13% for USD deposits and between 2% and 4,15% for EUR deposits (31 December 2022: for TL deposits between 9% and 22%, for USD deposits between 0,50% and 5,15%, for EUR deposits between 1,25% and 2,50%).

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

	30 September 2023	30 September 2022
Cash and cash equivalents	11.968.762	5.823.774
Less: restricted amounts		
- Collection protocols and ATM collection	(682.712)	(250.845)
- Other	(2.068.485)	(734.999)
Unrestricted cash	9.217.565	4.837.930

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

As of 30 September 2023, demand deposits amounting to TL 682.712 is restricted due to collection protocols signed with banks for receipts from the subscribers, under which proceeds are made available to the Group a certain number of days after the cash is collected. As of 30 September 2023, Other restricted amounts consist of blocked deposits related to Group’s derivative financial instruments.

As of 30 September 2023, the Group maintains available credit line amounting to EUR 46.200 until 1 July 2024, EUR 78.970 until 18 October 2025, EUR 49.260 until 29 May 2026 which in total amounted to EUR 174.430.

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7. FINANCIAL LIABILITIES

Bank borrowings

	30 September 2023			31 December 2022		
	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 (*)	20,03	8.293.913	8.293.913	17,07	4.667.093	4.667.093
TL bank loans with variable interest rates	24,11	10.000	10.000	14,86	30.000	30.000
EUR bank borrowings with variable interest rates	8,38	48.000	1.393.464	7,63	48.000	956.875
Interest accruals:						
Unsecured TL bank loans with fixed interest rates (*)		336.559	336.559		441.285	441.285
Unsecured EUR bank loans with variable interest rates		646	18.746		1.022	20.372
Short-term bank loans			10.052.682			6.115.625
Short-term portion of long-term bank loans:						
Unsecured USD bank loans with variable interest rates (**)	7,04	142.182	3.892.485	5,57	120.372	2.250.752
Unsecured EUR bank loans with variable interest rates (***)	4,52	68.733	1.995.344	2,34	75.793	1.510.917
Interest accruals of long-term bank loans:						
Unsecured USD bank loans with variable interest rates (**)		5.128	140.382		3.623	67.752
Unsecured EUR bank loans with variable interest rates (***)		5.478	159.043		619	3.687
Current portion of long-term bank loans			6.187.254			3.833.108
Total short-term bank loans			16.239.936			9.948.733
Long-term bank loans:						
Unsecured USD bank loans with variable interest rates (**)	7,01	254.609	6.970.353	5,57	339.452	6.347.184
Unsecured EUR bank loans with variable interest rates (***)	5,04	313.025	9.087.286	2,34	253.580	5.055.097
Total long-term bank loans			16.057.639			11.402.281
Total bank loans			32.297.575			21.351.014

(*) As at 30 September 2023, the amounting to TL 1.071.288 includes of credit card debts (31 December 2022: TL 124.995).

(**) As at 30 September 2023, interest rate varies between Sofr and Libor + 0,54% and 2,85% (31 December 2022: Libor + 0,54% and 2,85%).

(***) As at 30 September 2023, interest rate varies between Euribor + 0,25% and 4,65% (31 December 2022: Euribor + 0,25% and 5,90%).

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7. FINANCIAL LIABILITIES (CONTINUED)

Bank borrowings (continued)

The details of the TL equivalents of bank loans according to their remaining maturities are as follows:

	30 September 2023					Total	31 December 2022					Total
	Up to 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	More than 5 years		Up to 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	More than 5 years	
Unsecured TL bank borrowings with fixed interest rates	1.796.537	6.833.935	–	–	–	8.630.472	3.815.515	1.292.863	–	–	–	5.108.378
TL bank borrowings with variable interest rates	–	10.000	–	–	–	10.000	–	30.000	–	–	–	30.000
Unsecured USD bank borrowings with variable interest rates	1.680.930	2.351.937	1.817.056	4.603.337	549.960	11.003.220	308.342	2.010.162	1.989.943	3.665.869	691.372	8.665.688
Unsecured EUR bank borrowings with variable interest rates	989.357	2.577.240	1.671.525	6.832.340	583.421	12.653.883	90.901	2.400.950	1.401.453	3.459.003	194.641	7.546.948
	4.466.824	11.773.112	3.488.581	11.435.677	1.133.381	32.297.575	4.214.758	5.733.975	3.391.396	7.124.872	886.013	21.351.014

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7. FINANCIAL LIABILITIES (CONTINUED)

Issued debt instruments

	30 September 2023			31 December 2022		
	Weighted average nominal interest rate (%)	Original amount	TL equivalent	Weighted average nominal interest rate (%)	Original amount	TL equivalent
Short-term issued debt instruments:						
TL bills, bonds and notes issued	32,74	2.100.000	2.100.000	26,71	1.330.150	1.330.150
Interest accruals:						
TL bills, bonds and notes issued		375.158	375.158		141.523	141.523
The short-term portion of long-term issued debt instruments:						
USD issued debt instruments with fixed interest rates	4,88	471.420	12.905.921		-	-
Interest accruals of short-term portion of long-term issued debt instruments:						
USD issued debt instruments with fixed interest rates		7.054	193.124		14.477	270.696
Short-term issued debt instruments		15.574.203				1.742.369
Long-term issued debt instruments:						
USD issued debt instruments with fixed interest rates	6,88	455.949	12.482.368	5,88	925.611	17.307.353
Long-term issued debt instruments		12.482.368				17.307.353
Total issued debt instruments		28.056.571				19.049.722

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 28 February 2019. The bonds are now quoted at Irish Stock Exchange. The part of the bond amounting to USD 17.500 was repurchased in 2022 and a portion of USD 15.000 was repurchased in 2023, the related amount was accounted for by deducting the amortized cost using the effective interest rate and the total bond amount.

The sales process of the bond issuances amounted to USD 500.000 with 10 years of maturity, and 4,875% coupon rate based on 4,982% reoffer yield was completed on 19 June 2014. The bonds are now quoted at Irish Stock Exchange. The part of the bond amounting to USD 20.000 was repurchased in 2019, a portion of USD 5.000 was repurchased in 2022 and a portion of USD 2.500 was repurchased in 2023, the relevant amounts are accounted for by deducting the appropriate values and total bond managers.

The sales process of the bond issuance mediated by Garanti Yatırım Menkul Kıymetler A.Ş. amounted to TL 500.000 with 90 days of maturity, and 27% coupon rate was completed on 22 June. The sales process of the bond issuances mediated by Garanti Yatırım Menkul Kıymetler A.Ş. amounted to TL 1.330.150 within the range of 90-180 days of maturities and 20,75%-27% coupon rates were completed on 2 - 20 September 2022.

On 27 October 2022, TL 478.550 was issued with a maturity of 180 days and priced at 27% annual simple interest incoming. Garanti Yatırım Menkul Kıymetler A.Ş. mediated.

On 31 January 2023, TL 1.808.500 was issued with a maturity of 380 days and priced at 32,5% annual simple interest incoming. Ak Yatırım Menkul Kıymetler A.Ş. mediated.

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7. FINANCIAL LIABILITIES (CONTINUED)

Issued debt instruments (continued)

On 1 March 2023, TL 900.000 was issued with 173 days maturity and 27,5% annual simple interest incoming. Ziraat Yatırım Menkul Değerler A.Ş. mediated.

On 21 August 2023, TL 291.500 was issued with 177 days maturity and 32% annual simple interest incoming. Ziraat Yatırım Menkul Değerler A.Ş. mediated.

The distribution of long-term bonds, bills and bonds issued in TL terms according to their maturities is as follows:

	30 September 2023			31 December 2022				
	3 months to 1 year	1 year to 2 years	Total	Up to 3 months	3 months to 1 year	1 year to 2 years	2 year to 5 years	Total
TL issued debt instruments with fixed interest rates	2.475.158	–	2.475.158	970.900	500.773	–	–	1.471.673
USD issued debt instruments with fixed interest rates	13.099.045	12.482.368	25.581.413	270.696	–	8.479.466	8.827.887	17.578.049
	15.574.203	12.482.368	28.056.571	1.241.596	500.773	8.479.466	8.827.887	19.049.722

Lease liabilities

As at 30 September 2023, obligation under leases detail are as follows:

	30 September 2023				31 December 2022	
	Currency	Interest rate type	Nominal interest rate	Carrying amount	Nominal interest rate	Carrying amount
Lease liabilities	TL	Fixed	%9,0-%27,0	1.584.629	%9,0-%21,5	1.356.699
Lease liabilities	EUR	Fixed	%2,5-%4,5	277.293	%3,3-%4,5	130.828
Lease liabilities	USD	Fixed	%8,2	78.123	%4,0	28.947
Lease liabilities	Other	Fixed	%3,3	2.298	%3,2	3.142
				1.942.343		1.519.616

8. DUE FROM AND DUE TO RELATED PARTIES

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

Institutions under state control are defined as related parties due to 25% ownership and the golden share of the Treasury and 61,68% ownership of Turkey Wealth Fund (“TWF”). State controlled entities are defined as related parties but in accordance with the exemption provided by the TAS 24 disclosure requirements, state controlled entities are excluded from general reporting requirements.

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

TWF has become a party to holding power of control and the majority shareholder of The Group following the share transfer on 31 March 2022. Due to the change of the ultimate parent, the Group revaluated the related party entities and reflected the transactions on 30 September 2022 financial statements in the 9-month interim.

Related party disclosures include the transactions realized until 31 March 2022 of the companies that were related parties until the share transfer on 31 March 2022 and unrecognised to be related parties after the share transfer. The updated related parties with the share transfer realized on 31 March 2022 include the transactions between 31 March 2022 and 30 September 2022.

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

As of 30 September 2022, related party balances include the balances of updated related parties with the share transfer on 31 March 2022. These balances may also include balances from transactions occurred before 31 March 2022.

Details of balances and transactions between the Group and other related parties as at 30 September 2023 and 31 December 2022 are disclosed below:

	30 September 2023	31 December 2022
Short-term due from related parties (Trade receivables)		
Other	529.687	508.513
	529.687	508.513

	30 September 2023	31 December 2022
Short-Term due to from related parties (Trade payables)		
Other	111.275	173.777
	111.275	173.777

Deposits held by related parties	30 September 2023	31 December 2022
Time Deposit		
Türkiye Vakıflar Bankası Türk Anonim Ortaklığı	1.658.476	1.083.398
Türkiye Halk Bankası A.Ş.	1.442.198	107.553
T.C. Ziraat Bankası A.Ş.	148.779	714.375
Ziraat Katılım Bankası A.Ş.	23.000	–
Demand Deposit		
Türkiye Vakıflar Bankası Türk Anonim Ortaklığı	151.343	61.096
T.C. Ziraat Bankası A.Ş.	134.759	105.703
Türkiye Halk Bankası A.Ş.	71.160	83.353
Other	7.977	11.711
	3.637.692	2.167.189

Bank loans from related parties	30 September 2023	31 December 2022
T.C. Ziraat Bankası A.Ş.	2.570.875	943.510
Ziraat Katılım Bankası A.Ş.	900.000	–
Türkiye Vakıflar Bankası Türk Anonim Ortaklığı	825.354	394.145
Türkiye Halk Bankası A.Ş.	19.400	19.100
	4.315.629	1.356.755

Currency Protected Time Deposit from related parties	30 September 2023	31 December 2022
Ziraat Katılım Bankası A.Ş.	824.310	–
Türkiye Vakıflar Bankası Türk Anonim Ortaklığı	683.055	255.504
T.C. Ziraat Bankası A.Ş.	55.658	540.596
	1.563.023	796.100

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

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

Transactions with shareholders:

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

As of 30 September 2023, unpaid portion of Treasury Share, universal service fund and ICTA share are recorded under other short term payables and these expenses are accounted in cost of sales account.

Transactions with related parties:

	1 January - 30 September 2023	1 January - 30 September 2022
Interest income from related parties		
T.C. Ziraat Bankası A.Ş. (*)	186.265	47.531
Türkiye Vakıflar Bankası Türk Anonim Ortaklığı (*)	140.405	60.981
Türkiye Halk Bankası A.Ş.	13.629	–
Other	23.658	10.280
	363.957	118.792
Interest expense from related parties		
Türkiye Vakıflar Bankası Türk Anonim Ortaklığı (*)	214.455	48.603
T.C. Ziraat Bankası A.Ş. (*)	191.512	52.609
Türkiye Halk Bankası A.Ş.	2.247	73
Other	61.236	32.946
	469.450	134.231

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

Transactions with related parties (continued)

	1 January - 30 September 2023	1 January - 30 September 2022
Income from related parties		
Superonline İletişim Hizmetleri A.Ş. (*)	776.752	398.610
Turkcell İletişim Hizmetleri A.Ş. (*)	655.867	416.681
Türksat Uydu Haberleşme Kablo TV ve İşletme A.Ş. (*)	503.254	224.692
THY A.O. (*)	238.953	77.103
Enerji Piyasaları İşletme A.Ş. (*)	238.428	12.323
Türkiye Halk Bankası A.Ş. (*)	84.293	31.920
Türkiye Vakıflar Bankası Türk Anonim Ortaklığı (*)	69.325	24.230
T.C. Ziraat Bankası A.Ş. (*)	45.108	29.957
Other	330.827	98.553
	2.942.807	1.314.069

	1 January - 30 September 2023	1 January - 30 September 2022
Expenses from related parties		
Turkcell İletişim Hizmetleri A.Ş. (*)	720.889	393.468
Enerji Piyasaları İşletme A.Ş. (*)	578.388	390.838
PTT A.Ş. (*)	261.859	104.029
Türksat Uydu Haberleşme Kablo TV ve İşletme A.Ş. (*)	109.481	55.920
THY A.O. (*)	72.296	31.651
Kule Hizmet ve İşletmecilik A.Ş. (*)	47.741	19.826
Other	105.949	13.125
	1.896.603	1.008.857

(*) Includes transactions the period of 1 April - 30 September 2022 for 2022, and the period 1 January - 30 September 2023 for 2023.

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

Compensation of key management personnel

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

	1 January - 30 September 2023	1 January - 30 September 2022
Short-term benefits	183.522	111.258
Long-term benefits	5.684	2.713
	189.206	113.971

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

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9. TRADE RECEIVABLES FROM AND PAYABLES TO UNRELATED PARTIES

Trade receivables

	30 September 2023	31 December 2022
Short-term		
Receivables from subscribers	14.037.033	11.688.631
Other trade receivables (*)	1.394.032	669.373
Allowance for doubtful receivables (-)	(2.994.376)	(4.108.271)
Total short-term trade receivables	12.436.689	8.249.733
Long-term		
Receivables from subscribers	205.238	185.720
Total long-term trade receivables	205.238	185.720

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

Trade receivables generally have a maturity term of 60 days on average (31 December 2022: 60 days).

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

	1 January - 30 September 2023	1 January - 30 September 2022
At January 1	(4.108.271)	(3.946.500)
Provision for the year, net	(297.167)	(250.728)
Receivables written off (*)	1.437.755	140.045
Change in currency translation differences	(26.693)	(3.169)
At 30 September	(2.994.376)	(4.060.352)

(*) The Group has written off all doubtful receivables meeting the conditions within the scope of the amendment made in the temporary article 2 of the Income Tax Law No. 7420.

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 525.686 (31 December 2022: TL 341.361).

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

Contract assets from unrelated parties

	30 September 2023	31 December 2022
Short-term		
Contract assets from sale of goods and service contracts	2.927.043	1.395.079
	2.927.043	1.395.079
Long-term		
Contract assets from sale of goods and service contracts	23.201	35.799
	23.201	35.799

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

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

Trade payables from unrelated parties

	30 September 2023	31 December 2022
Short-term		
Trade payables	7.681.850	8.453.249
Expense accruals	2.302.829	841.503
Total short-term trade payables	9.984.679	9.294.752

The average maturity term of trade payables is between 30 and 150 days (31 December 2022: 30 and 150 days).

As of 30 September 2023, short term trade payables consists of payables within scope of supplier finance that amounting TL 3.810 (31 December 2022: TL 275.616).

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10. TANGIBLE AND INTANGIBLE ASSETS

The amount of tangible and intangible assets purchased during the nine months period ended 30 September 2023 is TL 12.645.329 (30 September 2022: TL 7.082.882).

Net book value of tangible and intangible assets sold during the nine months period ended 30 September 2023 amounted to TL 7.317 (30 September 2022: TL 84.938).

After the 7.7 and 7.6 magnitude earthquakes in Kahramanmaraş that occurred in our country on 6 February 2023, assessments are continuing to determine the damage to Türk Telekom infrastructure which is completely covered by insurance and to operate the insurance processes. Impairment amounting to 165.282 TL has been calculated and accounted as operation expense in financial statements for the damaged building, endpoint accesses and the access and network equipment to which these endpoint accesses are connected by using the following estimates and assumptions.

- Impairment has been calculated to half of the ratio of damaged endpoint accesses to total end endpoint accesses in cities located in the earthquake zone.
- For network equipments, impairment has been calculated over the ratio of the replacement costs of the damaged equipment to the total inventory on the basis of inventory group.
- Fully impairment has been calculated for damaged buildings and external facilities.

11. PROVISIONS

Other current provisions

Provisions for short-term debt for the years 30 September 2023 and 31 December 2022 are as follows:

	30 September 2023	31 December 2022
Litigation, ICTA penalty and customer return provisions (*)	170.837	133.093
Provision for expected credit losses on loan commitments (**)	20.605	67.338
	191.442	200.431

(*) TT Mobil tax inspection consists of the Ministry of Commerce fine, ICTA fines, refunds and other litigation provisions required by ICTA decisions. Detailed explanations are given in Footnote 12.

(**) 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.

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11. PROVISIONS (CONTINUED)

Current provisions for employee benefits

	30 September 2023	31 December 2022
Short term provisions for employee benefits		
Personnel bonus provision	890.378	569.405
	890.378	569.405

Non-current provisions for employee benefits

	30 September 2023	31 December 2022
Long term provisions for employee benefits		
Defined benefit obligation	3.593.907	2.112.451
Unused vacation provisions	670.365	332.647
	4.264.272	2.445.098

Provision of employee benefits

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

The retirement pay liability as at 30 September 2023 is subject to a ceiling of full TL 23.489 (31 December 2022: full TL 15.371) per monthly salary for each service year.

The Social Security and General Health Insurance Law and the Law on the Versioning of the Decree Law No. 375 were published in the Official Gazette No. 32121 on 3 March 2023, and the beginnings began. With the regulation made, employees who had insurance before 8 September 1999, who used premium day payment and insurance fee, had the right to retire without any age limit. The effect of the provision for severance pay, which is defined as the defined benefit plan in TAS 19, within the scope of this law is calculated as TL 153.076 and is included in the profit or loss. In addition to the liability for severance pay, the Group also has some other long-term taxes such as employment, duty, compensation and anniversary gifts.

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12. COMMITMENTS AND CONTINGENCIES

Guarantees received and given by the Group are summarized below:

		30 September 2023		31 December 2022	
		Original currency	TL	Original currency	TL
Guarantees received	USD	110.410	3.022.658	102.571	1.917.911
	TL	1.927.689	1.927.689	1.633.056	1.633.056
	EUR	27.208	789.875	30.151	601.066
	Sterling	3	100	3	67
		5.740.322		4.152.100	
Guarantees given (*)	USD	196.729	5.385.796	183.789	3.436.550
	TL	1.598.334	1.598.334	1.530.296	1.530.296
	EUR	74.684	2.168.107	75.331	1.501.707
		9.152.237		6.468.553	

(*) Guarantees given amounting to USD 151.500 (31 December 2022: 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 2022: EUR 12.840) is related with the guarantee provided for 3G license and guarantees given amounting to EUR 57.281 (31 December 2022: EUR 57.281) is related with the guarantee provided for 4.5G license.

The Company’s guarantee, pledge and mortgage (GPM) position as at 30 September 2023 and 31 December 2022 is as follows:

	30 September 2023	31 December 2022
A. GPMs given on behalf of the Company’s legal personality	9.152.237	6.468.553
B. GPMs given in favour of subsidiaries included in full consolidation	2.178.156	1.758.758
C. GPMS given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	333.437	1.074.483
Total	11.663.830	9.301.794

Based on law 128/1 of Turkish Code of Obligations, the Group has given guarantee to distributors amounting to TL 333.437 for the financial obligation that would arise during the purchase of devices that will be sold as commitment sales by the Group (31 December 2022: TL 1.074.483). The guarantees has given to the banks TL 268.108 Vakıf Faktoring A.Ş.

Other commitments

The Group has purchase commitments for sponsorships, advertising and insurance services at the equivalent to TL 530.254 (31 December 2022: TL 598.470) as at 30 September 2023. Payments for these commitments are going to be made in a 2-year period.

The Group has purchase commitments for fixed assets amounting to USD 74.930, EUR 32.477, GBP 58 and TL 683.918 equivalent to TL 3.679.997 (31 December 2022: TL 2.542.470) as at 30 September 2023.

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12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 30 September 2023, customer returns amounted to TL 12.438 was transferred. As of 30 September 2023, TL 32.367 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 2022: TL 23.590).

The ICTA investigation due to service outage after the 7.7 and 7.6 magnitude earthquakes occurred in Kahramanmaraş is still ongoing. In the management opinion, provision has not been calculated and accounted in financial statements because probability of an outflow of significant resources embodying economic benefits is not likely.

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 138.470 as at 30 September 2023 (31 December 2022: TL 109.503). For the rest of the cases, Group lawyers commented that basis of those cases are not realistic and should be appealed. Therefore, no provision has been provided for these cases.

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13. FINANCIAL RISK MANAGEMENT AND POLICIES

Market risk

Foreign currency risk

	30 September 2023				31 December 2022			
	Total TL Equivalent	USD	EUR	Other	Total TL Equivalent	USD	EUR	Other
1. Trade receivables	1.533.690	38.358	14.706	56.676	1.144.681	45.349	13.661	24.394
2a. Monetary financial assets (Cash and banks accounts included)	4.582.891	79.081	81.676	46.822	2.263.609	115.226	4.579	17.799
2b. Financial Investments (*)	7.866.826	–	–	–	4.880.842	–	–	–
2c. Non-monetary financial assets	–	–	–	–	–	–	–	–
3. Other	1.412	52	–	–	191.840	–	9.623	–
4. Current assets (1+2+3)	13.984.819	117.491	96.382	103.498	8.480.972	160.575	27.863	42.193
5. Trade receivables	–	–	–	–	–	–	–	–
6a. Monetary financial assets	–	–	–	–	–	–	–	–
6b. Non-monetary financial assets	–	–	–	–	–	–	–	–
7. Other	3.195	15	96	–	2.193	15	96	–
8. Non-current assets (5+6+7)	3.195	15	96	–	2.193	15	96	–
9. Total assets (4+8)	13.988.014	117.506	96.478	103.498	8.483.165	160.590	27.959	42.193
10. Trade payables	6.557.007	138.277	93.782	48.915	6.128.688	219.923	98.878	45.384
11. Financial liabilities	20.825.427	628.638	124.161	10.935	5.144.950	140.020	126.251	9.998
12a. Monetary other liabilities	–	–	–	–	–	–	–	–
12b. Non-monetary other liabilities	608.996	22.239	6	–	–	–	–	–
13. Short-term liabilities (10+11+12)	27.991.430	789.154	217.949	59.850	11.273.638	359.943	225.129	55.382
14. Trade payables	403	–	–	403	270	–	–	270
15. Financial liabilities	28.674.152	710.558	316.939	20.530	28.804.590	1.265.064	257.518	16.459
16a. Monetary other liabilities	–	–	–	–	–	–	–	–
16b. Non-monetary other liabilities	–	–	–	–	–	–	–	–
17. Long-term liabilities (14+15+16)	28.674.555	710.558	316.939	20.933	28.804.860	1.265.064	257.518	16.729
18. Total liabilities (13+17)	56.665.985	1.499.712	534.888	80.783	40.078.498	1.625.007	482.647	72.111
19. Net asset / (liability) position of off balance sheet derivative instruments (19a-19b)	54.350.288	1.732.931	237.969	–	36.933.129	1.670.255	286.040	–
19a. Total asset amount hedged	–	–	–	–	–	–	–	–
19b. Total liability amount hedged	(54.350.288)	(1.732.931)	(237.969)	–	(36.933.129)	(1.670.255)	(286.040)	–
20. Loans defined as hedging instruments (**)	4.045.415	–	139.350	–	2.532.909	–	127.059	–
21. Net foreign currency asset / (liability) position (9-18+19+20)	15.717.732	350.725	(61.091)	22.715	7.870.705	205.838	(41.589)	(29.918)
22. Net asset / (liability) position of foreign currency monetary items (IFRS 7.B23) (=1+2a+2b+5+6a-10-11-12a-14-15-16a)	(42.073.582)	(1.360.034)	(438.500)	22.715	(31.789.366)	(1.464.432)	(464.407)	(29.918)

(*) Financial Investments include currency protected time deposits with 180 and 360 days maturity by Group's USD 258.637 and EUR 20.000 of foreign currency deposits.

(**) The Company utilized a loan amounting to EUR 139.350 in order to hedge its net investment in a foreign operation with a EUR functional currency. Foreign exchange gain and/or loss resulting from the subsidiary's net investment portion of this loan is reclassified to reserve for hedge of net investment in a foreign operation under equity (31 December 2022: EUR 127.059).

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13. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

Market risk (continued)

Foreign currency risk (continued)

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

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

30 September 2023	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	(3.784.023)	3.784.023	–	–
2- Hedged portion of USD risk (-)	3.378.096	(3.289.247)	110.738	(95.885)
3- USD net effect (1+2)	(405.927)	494.776	110.738	(95.885)
Appreciation of EUR against TL by 10%:				
4- EUR net asset/liability	(1.272.727)	1.272.727	–	–
5- Hedged portion of EUR risk (-)	838.004	(900.959)	5.815	66.047
6- EUR net effect (4+5)	(434.723)	371.768	5.815	66.047
Appreciation of other foreign currencies against TL by 10%:				
7- Other foreign currency net asset/liability	2.271	(2.271)	–	–
8- Hedged portion of other foreign currency (-)	–	–	–	–
9- Other foreign currency net effect (7+8)	2.271	(2.271)	–	–
Total (3+6+9)	(838.379)	864.273	116.553	(29.838)
31 December 2022				
31 December 2022	Profit/Loss		Other comprehensive income	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Appreciation of USD against TL by 10%:				
1- USD net asset/liability	(2.738.209)	2.738.209	–	–
2- Hedged portion of USD risk (-)	2.194.067	(2.137.957)	45.260	(52.723)
3- USD net effect (1+2)	(544.142)	600.252	45.260	(52.723)
Appreciation of EUR against TL by 10%:				
4- EUR net asset/liability	(906.417)	906.417	–	–
5- Hedged portion of EUR risk (-)	621.180	(621.180)	12.222	87.073
6- EUR net effect (4+5)	(285.237)	285.237	12.222	87.073
Appreciation of other foreign currencies against TL by 10%:				
7- Other foreign currency net asset/liability	(2.992)	2.992	–	–
8- Hedged portion of other foreign currency (-)	–	–	–	–
9- Other foreign currency net effect (7+8)	(2.992)	2.992	–	–
Total (3+6+9)	(832.371)	888.481	57.482	34.350

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13. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

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

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

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

	Carrying amount		Fair value	
	30 September 2023	31 December 2022	30 September 2023	31 December 2022
Financial assets				
Cash and cash equivalents	11.968.762	5.124.899	11.968.762	5.124.899
Trade and other receivables (including related parties)	13.511.948	9.179.785	13.511.948	9.178.453
Financial investments (*)	7.991.183	4.905.438	7.991.183 (*)	4.905.438 (*)
Derivative financial assets	4.663.400	4.082.281	4.663.400	4.082.281
Financial liabilities				
Bank borrowings	32.297.575	21.351.014	32.583.713	21.286.130
Issued debt instruments	28.056.571	19.049.722	27.799.790	18.510.028
Trade payables and other liabilities (including related parties) (**)	13.309.909	11.488.964	13.309.909	11.488.964
Derivative financial liabilities	394.916	141.527	394.916	141.527

(*) Fair value information of the Group's financial investments other than currency protected deposits are not available. Group’s share in financial investments is carried at cost.

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

Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

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13. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

Fair value hierarchy table (continued)

Fair value hierarchy table as at 30 September 2023 is as follows:

	Date of Valuation	Total	Fair Value Measurement		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets measured at fair value:					
<u>Derivative Financial Assets:</u>					
Cross currency swaps (*)	30 September 2023	4.585.711	–	4.585.711	–
Futures	30 September 2023	76.826	–	76.826	–
Commodity derivative (Copper)	30 September 2023	863	–	863	–
Currency protected time deposit	30 September 2023	7.866.826	–	7.866.826	–
Liquid fund	30 September 2023	1.116.053	1.116.053	–	–
Financial liabilities measured at fair value:					
Issued debt instruments	30 September 2023	12.339.900	12.339.900	–	–
<u>Derivative Financial Liabilities:</u>					
Cross currency swaps (*)	30 September 2023	381.669	–	381.669	–
Futures	30 September 2023	13.247	–	13.247	–
Other financial liabilities not measured at fair value:					
Bank loans	30 September 2023	32.583.713	–	32.583.713	–
Issued debt instruments	30 September 2023	15.459.890	15.459.890	–	–

(*) Cross currency swaps consist of forwards and foreign currency swaps.

The Group specifies the fair value measurement of futures according to the forward exchange rates at the balance sheet date, whereas fair values of cross currency swaps are measured according to the net present value of the estimated future cash flows based on observable yield curves, measurement methods of fair value for derivative financial instruments and issued debt instruments are explained in Note 2.1.

Fair value hierarchy table as at 31 December 2022 is as follows:

	Date of Valuation	Total	Fair Value Measurement		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets measured at fair value:					
<u>Derivative Financial Assets:</u>					
Interest rate swaps	31 December 2022	89.337	–	89.337	–
Cross currency swaps (*)	31 December 2022	3.937.075	–	3.937.075	–
Futures	31 December 2022	44.370	–	44.370	–
Commodity derivative (Copper)	31 December 2022	11.499	–	11.499	–
Currency protected time deposit	31 December 2022	4.880.842	–	4.880.842	–
Liquid fund	31 December 2022	600.223	600.223	–	–
Financial liabilities measured at fair value:					
Issued debt instruments	31 December 2022	8.479.466	8.479.466	–	–
<u>Derivative Financial Liabilities:</u>					
Interest rate swaps	31 December 2022	131.356	–	131.356	–
Cross currency swaps	31 December 2022	10.171	–	10.171	–
Other financial liabilities not measured at fair value:					
Bank loans	31 December 2022	21.286.130	–	21.286.130	–
Issued debt instruments	31 December 2022	10.030.562	10.030.562	–	–

(*) Cross currency swaps consist of forwards and foreign currency swaps.

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13. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

Capital management policies

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

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

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or return capital to shareholders. No changes were made in the objectives, policies or processes during the years 2023 and 2022.

14. DERIVATIVE FINANCIAL INSTRUMENTS

Cash flow hedges and derivative financial instruments

In the periods in which the cash flows related to the hedged item affect profit or loss, accumulated gain/loss of related hedged instruments in equity are reclassified in profit or loss, As of the nine months period ended 30 September 2023, TL 380.369 are reclassified to financial expenses in the statement of profit or loss from gain on cash flow hedges in equity.

Cross currency swap transaction

As of 30 September 2023 fair value of participating cross currency swap transactions amounting to TL 4.309.099 has been recognized under short term derivative financial assets (31 December 2022: TL 3.733.650).

Company	Notional Amount (USD)	Trade Date	Amendment Date	Terms	Fair Value Amount as at 30 September 2023 (TL)
Türk Telekom	500.000	31 March 2016 - 3 August 2018	21 October 2020 - 18 February 2022	Pay TL and receive USD at June 2024	2.331.532
Türk Telekom	75.000	14 November 2018	11 - 21 June 2021	Pay TL and receive USD between October 2019 - April 2024	462.658
Türk Telekom	30.970	25 October 2018 - 18 July 2019	11 June 2021	Pay TL and receive USD between April 2019 - April 2025	157.792
Türk Telekom	50.000	17 December 2020		Pay TL and receive USD at February 2025	266.565
Türk Telekom	27.324	27 September 2019 - 6 September 2021		Pay TL and receive USD between March 2020 - September 2025	120.306
Türk Telekom	24.843	13 November 2018 - 19 July 2019	14 June 2021	Pay TL and receive USD between September 2019 - September 2025	123.135
Türk Telekom	45.455 (*)	27 - 28 March 2018	12 November - 2 December 2020	Pay TL and receive EUR between December 2020 - December 2025	510.660
Türk Telekom	31.995 (*)	18 August 2021		Pay TL and receive EUR between October 2021 - December 2025	183.904
Türk Telekom	24.175 (*)	13 August 2021		Pay TL and receive EUR between October 2021 - December 2025	123.109
Türk Telekom	6.317 (*)	27 - 28 June 2019	10 November 2021	Pay TL and receive EUR between September 2019 - September 2024	29.438
					4.309.099

(*) Nominal amount of indicated operations are Euro.

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14. 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 2022 (TL)
Türk Telekom	500.000	31 March 2016 - 3 August 2018	21 October 2020 - 18 February 2022	Pay TL and receive USD at June 2024	1.754.580
Türk Telekom	88.500	14 November 2018	11 - 21 June 2021	Pay TL and receive USD between October 2019 - April 2024	441.164
Türk Telekom	38.710	25 October 2018 - 18 July 2019	11 June 2021	Pay TL and receive USD between April 2019 - April 2025	163.130
Türk Telekom	50.000	17 December 2020		Pay TL and receive USD at February 2025	210.104
Türk Telekom	40.986	27 September 2019 - 6 September 2021		Pay TL and receive USD between March 2020 - September 2025	150.128
Türk Telekom	34.690	13 November 2018 - 19 July 2019	14 June 2021	Pay TL and receive USD between September 2019 - September 2025	143.384
Türk Telekom	54.545 (*)	27 - 28 March 2018	12 November - 2 December 2020	Pay TL and receive EUR between December 2020 - December 2025	401.304
Türk Telekom	43.172 (*)	16 August 2021		Pay TL and receive EUR between September 2021 - March 2026	159.741
Türk Telekom	37.330 (*)	18 August 2021		Pay TL and receive EUR between October 2021 - December 2025	153.181
Türk Telekom	29.009 (*)	13 August 2021		Pay TL and receive EUR between October 2021 - December 2025	107.197
Türk Telekom	12.633 (*)	27 - 28 June 2019	10 November 2021	Pay TL and receive EUR between September 2019 - September 2024	49.737
					3.733.650

(*) Nominal amount of indicated operations are Euro.

Copper hedge transactions

As of 30 September 2023 fair value of participating cross currency swap transactions amounting to TL 863 has been recognized under short term derivative financial assets. (31 December 2022: TL 11.499)

Company	Notional Amount (Tonnes)	Trade Date	Terms	Fair Value Amount as at 30 September 2023 (TL)
Türk Telekom	278	23 August 2023	Pay floating price and receive fixed price between August - December 2023	863
				863

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

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14. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedges and derivative financial instruments (continued)

Forwards

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

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

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

Interest rate derivative instruments which are not designated as hedge

As of 30 September 2023, fair value of derivative transactions amounting to TL 353.438 is recognized under short term derivative financial assets and TL 394.916 is recognized under short term financial liabilities (31 December 2022: TL 233.697 is recognized under short term derivative financial assets and TL 141.527 is recognized under short term financial liabilities).

Cross currency transactions

As of 30 September 2023, fair value of cross currency transactions amounting to TL 175.890 is recognized under short term derivative financial assets.

Company	Notional Amount (EUR)	Trade Date	Terms	Fair Value Amount as at 30 September 2023 (TL)
Türk Telekom	34.728	16 August 2021	Pay TL and receive EUR between September 2021 - March 2026	175.890
				175.890

Interest rate swaps

As of 31 December 2022 fair value of interest rate derivative transactions amounting to TL 89.337 has been recognized under short term derivative financial assets.

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 31 December 2022 (TL)
Türk Telekom	150.000	29 April - 20 May 2014	Pay the difference between floating rate and 4% if floating rate exceeds 4%, between June 2016 – June 2021, and receive fixed premium (0,44%-0,575%) Pay the difference between floating rate and 6% if floating rate exceeds 6%, between June 2021 – June 2024, and receive fixed premium (0,39%-0,45%)	12.380
				12.380

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14. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

Interest rate swaps (continued)

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

USD/EUR Cross Currency Swaps Instruments

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 30 September 2023 (TL)
TTINT Türkiye	20.000	16 June 2016	Pay EUR and receive USD between December 2016 and June 2026	71.170
				71.170

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

Futures

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 30 September 2023 (TL)
Türk Telekom	246.202	10 August - 26 September 2023	Net TL settlement between October - November 2023 based on the difference between contract price and contract closing price	35.128
TT Mobil	144.000	18 - 29 September 2023	Net TL settlement between October - November 2023 based on the difference between contract price and contract closing price	41.698
				76.826

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 30 September 2023 (TL)
TT Mobil	123.692	17 August - 27 September 2023	Net TL settlement at October 2023 based on the difference between contract price and contract closing price	(13.247)
				(13.247)

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14. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

Futures (continued)

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

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

Forwards

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 30 September 2023 (TL)
Türk Telekom	107.500	7 September - 28 September 2023	Pay TL and receive USD between December 2023 - January 2024	29.552
				29.552

Company	Notional Amount (USD)	Trade Date	Terms	Fair Value Amount as at 30 September 2023 (TL)
Türk Telekom	383.100	3 July - 28 September 2023	Pay TL and receive USD between October 2023 - January 2024	(182.575)
Innova	300	7 July 2023	Pay TL and receive USD at October 2023	(444)
Türk Telekom	111.500 (*)	3 July - 20 September 2023	Pay TL and receive EUR between October - December 2023	(192.933)
Innova	1.500 (*)	25 July 2023	Pay TL and receive EUR between October - December 2023	(5.717)
				(381.669)

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

(*) Nominal amount of indicated operations are Euro.

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14. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Derivative instruments which are not designated as hedge (continued)

Forwards (continued)

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

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.

15. FINANCIAL INVESTMENTS

	30 September 2023	31 December 2022
Short term financial assets		
Currency protected time deposit (*)	7.866.826	4.880.842
Long term financial assets		
Investment funds (**)	70.205	–
Other (***)	54.152	24.596
	7.991.183	4.905.438

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

The Group has converted its foreign currency deposit accounts amounting to USD 258.637 and EUR 20.000 (31 December 2022: USD 248.200) into “Currency Protected TL Time Deposit Accounts”. Maturity of currency protected time deposit accounts is between 90-360 days (31 December 2022: 180-360 Days).

(**) It consists of TT Ventures Venture Capital Investment Fund investments of group companies. The fund aims to invest in innovative technology start-ups with global growth potential and to provide financial returns to its investors.

The Group indirectly holds its investment in its subsidiary, which has a significant influence, through its contribution payments to the established Venture Capital Investment Fund. The Group measure this investment at fair value through profit or loss in accordance with TFRS 9.

(***) The amounting to TL 26.665 in other consists of growth equity private equity fund investment.

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16. SUPPLEMENTARY CASH FLOW INFORMATION

Other explanations

“Other inflows of cash” in net cash used in operating activities amounting to TL 269.104 represents change in restricted cash (Note 6). “Other outflows of cash, net” in net cash used in financial activities amounting to TL 869.548 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 396.346 represents change in TFRS Interpretation 12.

17. TAX ASSETS AND LIABILITIES

	30 September 2023	31 December 2022
Corporate tax payable:		
Current corporate tax provision	247.619	419.527
Prepaid taxes and funds (-)	(156.517)	(352.003)
Tax payable	91.102	67.524
Deferred tax assets	6.182.191	4.417.759
Deferred tax liabilities	(371.318)	(287.897)
Deferred tax assets, net	5.810.873	4.129.862

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

In Turkey, the corporate tax rate is 25% as of 30 September 2023. However, the corporate tax rate as 25% for the corporate income for the 2021, 23% for the corporate income for the 2022 taxation period has been applied in accordance with the article 11 of the Law No. 7316 on the Procedure for Collection of Public Claims and the Law Amending Some Other Laws and included to the temporary article 13 of Law No. 5520 Corporate Tax Law which are published in the Official Gazette numbered 31462 on 22 April 2021. As of the nine months period ended 30 September 2023, corporate tax provisions have been calculated and accrued at 25%.

Tax Advantages Obtained Under the Investment Incentive System

Earnings of the Group that are derived from investments linked to an investment incentive certificate are subject to corporate tax at discounted rates for a certain period, which starts when the investment starts to partly or fully operate, and ends when the maximum investment contribution amount is reached. Within this scope, the Group has accounted for TL 1.324.289 (31 December 2022: TL 1.250.619) of tax advantages as deferred tax assets which are expected to be recovered in the foreseeable future in the consolidated financial statements as of 30 September 2023. TL 73.670 (December - September difference current period effect) of deferred tax income is recognized in the consolidated profit or loss statement for the period between 1 January - 30 September 2023 from accounting of such deferred tax assets.

Deferred tax assets are recognized for deductible temporary differences, carry forward tax losses and indefinite-life investment incentives which allows payment of corporate tax at discounted rates, as long as it is probable that sufficient taxable income will be generated in the future. In this context, the Group recognizes deferred tax assets from investment incentives based on long-term plans, including taxable profit projections derived from business models, which are re-evaluated at each balance sheet date to assess recoverability of such deferred tax assets.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

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

17. TAX ASSETS AND LIABILITIES (CONTINUED)

Tax Advantages Obtained Under the Investment Incentive System (continued)

The Group expects to recover such deferred tax assets within 2 years from the balance sheet date. In the sensitivity analysis performed as of 30 September 2023, when the inputs of the key macroeconomic and sectoral assumptions that form the business plans are increased/decreased by 10%, there is no change in the projected 2-year recovery periods of deferred tax assets related to investment incentives.

18. SUBSEQUENT EVENTS

None.