

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

Interim Condensed Consolidated
Financial Statements As At and For
The Six Month Period
Ended 30 June 2021

9 August 2021

This report contains 9 pages of “Independent Auditor’s Report” and 47 pages of financial statements and explanatory notes.

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

Report on Review of Interim Condensed Consolidated Financial Statements

To the Board of Directors of Türk Telekomünikasyon Anonim Şirketi

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Türk Telekomünikasyon Anonim Şirketi (the Company) and its subsidiaries (the Group) as of June 30, 2021 and the interim condensed consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and explanatory notes. Group management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Turkish Accounting Standard 34, Interim Financial Reporting (TAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Other matters

The consolidated financial statements of the Group for the year ended December 31, 2020 and for the six-month period ended June 30, 2020 were audited and reviewed by another audit firm, who has expressed an unmodified opinion and an unmodified conclusion on those statements on February 3, 2021 and August 12, 2020, respectively.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with TAS 34.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of Ernst & Young Global Limited

Seda Akkuş Tecer, SMMM

Partner

9 August 2021

İstanbul, Türkiye

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

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

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(Convenience translation of a report and financial statements originally issued in Turkish)
**TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES CONSOLIDATED
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

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

| | | Current period | Prior period |
|---|--------------|-----------------------|-------------------------|
| | | Reviewed | Audited |
| | <i>Notes</i> | 30 June 2021 | 31 December 2020 |
| Assets | | | |
| Total current assets | | 14.195.806 | 13.289.465 |
| Cash and cash equivalents | 6 | 4.129.035 | 5.007.927 |
| Trade receivables | | | |
| - Trade receivables due from related parties | 8 | 19.663 | 15.334 |
| - Trade receivables due from unrelated parties | 9 | 6.856.731 | 6.187.294 |
| Other receivables | | | |
| - Other receivables due from unrelated parties | | 111.132 | 68.396 |
| Derivative financial assets | | | |
| - Derivative financial assets held for trading | 15 | 63.884 | 958 |
| - Derivative financial assets held for hedging | 15 | 1.974.352 | 1.206.509 |
| Inventories | | 285.096 | 248.966 |
| Prepayments | | | |
| - Prepayments to unrelated parties | | 458.236 | 199.469 |
| Current tax assets | | 46.087 | 63.684 |
| Other current assets | | | |
| - Other current assets due from unrelated parties | | 214.229 | 253.567 |
| | | 14.158.445 | 13.252.104 |
| Non-current assets or disposal groups classified as held for sale | | 37.361 | 37.361 |
| Total non-current assets | | 31.809.112 | 31.433.055 |
| Financial investments | | | |
| - Other financial investments | | 17.956 | 17.956 |
| Trade receivables | | | |
| - Trade receivables due from unrelated parties | 9 | 194.513 | 281.442 |
| Other receivables | | | |
| - Other receivables due from unrelated parties | | 32.722 | 32.825 |
| Derivative financial assets | | | |
| - Derivative financial assets held for trading | 15 | 31.925 | 32.710 |
| Right of use assets | | 1.575.001 | 1.546.155 |
| Investment property | | 16.329 | 17.612 |
| Property, plant and equipment | | | |
| - Land and premises | | 5.891.187 | 5.894.276 |
| - Buildings | | 556.931 | 574.312 |
| - Machinery and equipments | | 9.165.850 | 9.201.422 |
| - Other property, plant and equipment | | 560.303 | 394.901 |
| Intangible assets | | | |
| - Goodwill | | 44.944 | 44.944 |
| - Rights regarding concession agreements | | 5.643.628 | 5.107.436 |
| - Licences | | 2.249.332 | 2.404.054 |
| - Other intangible assets | | 4.486.736 | 4.581.021 |
| Prepayments | | | |
| - Prepayments to unrelated parties | | 14.574 | 13.372 |
| Deferred tax asset | | 1.327.060 | 1.288.525 |
| Other non-current assets | | | |
| - Other non-current assets due from unrelated parties | | 121 | 92 |
| Total assets | | 46.004.918 | 44.722.520 |

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

(Convenience translation of a report and financial statements originally issued in Turkish)
**TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES CONSOLIDATED
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

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

| | | Current period | Prior period |
|---|--------------|-----------------------|-------------------------|
| | | Reviewed | Audited |
| | <i>Notes</i> | 30 June 2021 | 31 December 2020 |
| Liabilities | | | |
| Total current liabilities | | 11.760.137 | 14.228.270 |
| Financial liabilities | | | |
| Financial liabilities from related parties | | | |
| - Bank loans | 7,8 | 747.586 | 869.753 |
| Financial liabilities from unrelated parties | | | |
| - Bank loans | 7 | 567.849 | 1.913.477 |
| - Lease liabilities | 7 | 42.456 | 18.809 |
| Current portion of long term financial liabilities | | | |
| Current portion of long term financial liabilities from unrelated parties | | | |
| - Bank loans | 7 | 2.072.671 | 2.801.972 |
| - Lease liabilities | 7 | 458.255 | 413.791 |
| - Issued debt instruments | 7 | 268.368 | 97.808 |
| Trade payables | | | |
| - Trade payables to unrelated parties | 9 | 3.811.391 | 5.293.521 |
| Employee benefit obligations | | | |
| | | 171.954 | 199.768 |
| Other payables | | | |
| - Other payables to related parties | 8,14 | 1.248.357 | - |
| - Other payables to unrelated parties | | 1.194.353 | 993.710 |
| Derivative financial liabilities | | | |
| - Derivative financial liabilities held for trading | 15 | 50.277 | 320.186 |
| - Derivative financial liabilities held for hedging | 15 | - | 47.533 |
| Contract liabilities | | | |
| - Contract liabilities from sale of goods and service contracts | | 552.652 | 520.841 |
| Current tax liabilities | | | |
| | | 158.843 | 172.456 |
| Current provisions | | | |
| - Current provisions for employee benefits | 11 | 158.936 | 276.460 |
| - Other current provisions | 11 | 131.806 | 166.944 |
| Other current liabilities | | | |
| - Other current liabilities to unrelated parties | | 124.383 | 121.241 |
| Total non-current liabilities | | 21.762.528 | 18.456.874 |
| Long term financial liabilities | | | |
| Long term financial liabilities from unrelated parties | | | |
| - Bank loans | 7 | 8.521.144 | 6.775.327 |
| - Lease liabilities | 7 | 886.359 | 905.086 |
| - Issued debt instruments | 7 | 8.686.259 | 7.438.569 |
| Other payables | | | |
| - Other payables to unrelated parties | | 41.169 | 43.656 |
| Derivative financial liabilities | | | |
| - Derivative financial liabilities held for hedging | 15 | 332.489 | 347.286 |
| Contract liabilities | | | |
| - Contract liabilities from sale of goods and service contracts | | 933.863 | 872.077 |
| Non-current provisions | | | |
| - Non-current provisions for employee benefits | 11 | 1.162.793 | 1.214.789 |
| - Other non-current provisions | | 9.566 | 8.506 |
| Deferred tax liabilities | | | |
| | | 1.043.592 | 715.133 |
| Other non-current liabilities | | | |
| - Other non-current liabilities to unrelated parties | | 145.294 | 136.445 |
| Total liabilities | | 33.522.665 | 32.685.144 |

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

(Convenience translation of a report and financial statements originally issued in Turkish)
**TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES CONSOLIDATED
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

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

| | Current period | Prior period |
|--|-----------------------|-------------------------|
| | Reviewed | Audited |
| <i>Notes</i> | 30 June 2021 | 31 December 2020 |
| Equity | 12.482.253 | 12.037.376 |
| Equity attributable to owners of parent | | |
| Issued capital | 3.500.000 | 3.500.000 |
| Inflation adjustments on capital | (239.752) | (239.752) |
| Other accumulated comprehensive income / (loss) that will not be reclassified in profit or loss | | |
| Gains / (losses) on revaluation and remeasurement | | |
| - <i>Losses on remeasurements of defined benefit plans</i> | (853.592) | (782.420) |
| - <i>Increases on revaluation of property, plant and equipment</i> | 4.766.342 | 4.766.342 |
| Losses due to change in fair value of financial liability attributable to change in credit risk of liability | (138.239) | (88.747) |
| Other reserves | (1.320.942) | (1.320.942) |
| Other accumulated comprehensive income / (loss) that will be reclassified in profit or loss | | |
| Losses on hedge | | |
| - <i>Losses on cash flow hedges</i> | (32.318) | (320.668) |
| - <i>Losses on hedges of net investment in foreign operations</i> | (713.157) | (593.149) |
| Change in value of time value of options | (1.255.057) | (717.854) |
| Exchange differences on translation | 899.988 | 721.066 |
| Restricted reserves appropriated from profits | 2.568.388 | 2.398.634 |
| Prior years' profits | 2.672.577 | 1.536.993 |
| Current period net profit | 2.628.015 | 3.177.873 |
| Total liabilities and equity | 46.004.918 | 44.722.520 |

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

(Convenience translation of a report and financial statements originally issued in Turkish)
TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS PERIOD ENDED
30 JUNE 2021

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

| | | Current Period | Current Period | Prior Period | Prior Period |
|---|--------------|-----------------------|-----------------------|-----------------------|---------------------|
| | | Reviewed | Unaudited | Reviewed | Unaudited |
| | <i>Notes</i> | 1 January - 30 | 1 April - 30 | 1 January - 30 | 1 April - 30 |
| | | June 2021 | June 2021 | June 2020 | June 2020 |
| Revenue | 5 | 15.768.298 | 8.181.381 | 13.272.074 | 6.969.325 |
| Cost of sales (-) | | (8.240.767) | (4.298.091) | (7.043.588) | (3.747.781) |
| Gross profit | | 7.527.531 | 3.883.290 | 6.228.486 | 3.221.544 |
| General administrative expenses (-) | | (1.273.924) | (635.026) | (1.119.489) | (535.029) |
| Marketing, sales and distribution expenses (-) | | (1.646.175) | (859.765) | (1.435.263) | (719.566) |
| Research and development expenses (-) | | (133.525) | (68.901) | (122.796) | (68.208) |
| Other operating income | | 251.009 | 129.593 | 155.801 | 59.042 |
| Other operating expense (-) | | (348.576) | (134.296) | (324.756) | (104.005) |
| Operating profit | | 4.376.340 | 2.314.895 | 3.381.983 | 1.853.778 |
| Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9, net | | (94.524) | (50.841) | (119.268) | (65.005) |
| Investment activity income | | 431.070 | 219.424 | 169.932 | 74.883 |
| Investment activity expenses (-) | | (4.005) | (830) | (2.312) | (2.225) |
| Profit before financing expense | | 4.708.881 | 2.482.648 | 3.430.335 | 1.861.431 |
| Finance income | | 846.053 | 133.424 | 735.098 | 265.340 |
| Finance costs (-) | | (2.255.871) | (1.007.021) | (2.100.991) | (896.103) |
| Profit before tax | 5 | 3.299.063 | 1.609.051 | 2.064.442 | 1.230.668 |
| Tax expense | | | | | |
| - Current period tax expense | | (243.073) | (158.531) | (118.855) | (57.476) |
| - Deferred tax expense | | (427.975) | (178.111) | (304.414) | (192.719) |
| Profit for the year | | 2.628.015 | 1.272.409 | 1.641.173 | 980.473 |
| Earnings per shares attributable to equity holders of the parent from (in full Kuruş) | 4 | 0,7509 | 0,3635 | 0,4689 | 0,2801 |
| Earnings per diluted shares attributable to equity holders of the parent from (in full Kuruş) | 4 | 0,7509 | 0,3635 | 0,4689 | 0,2801 |

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

(Convenience translation of a report and financial statements originally issued in Turkish)
TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD
ENDED 30 JUNE 2021

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

| | Current Period | Current Period | Prior Period | Prior Period |
|--|-----------------------------|---------------------------|-----------------------------|---------------------------|
| | Reviewed | Unaudited | Reviewed | Unaudited |
| Notes | 1 January - 30 June 2021 | 1 April - 30 June 2021 | 1 January - 30 June 2020 | 1 April - 30 June 2020 |
| Profit for the period | 2.628.015 | 1.272.409 | 1.641.173 | 980.473 |
| Other comprehensive income | | | | |
| Other comprehensive income that will not be reclassified to profit or loss | (120.664) | (156.910) | (20.995) | (237.780) |
| Losses on remeasurements of defined benefit plans | (88.521) | (57.603) | (57.827) | (42.880) |
| Change in fair value of financial liability attributable to change in credit risk of liability | (61.865) | (138.090) | 32.438 | (253.491) |
| Tax effect of other comprehensive income items not to be reclassified to profit or loss | | | | |
| - Taxes relating to remeasurements of defined benefit plans | 17.349 | 11.165 | 11.343 | 8.354 |
| - Taxes relating to change in fair value of financial liability attributable to change in credit risk of liability | 12.373 | 27.618 | (6.949) | 50.237 |
| Other comprehensive income that will be reclassified to profit or loss | (189.939) | 71.266 | (352.765) | 19.525 |
| Exchange differences on translation | 178.922 | 74.325 | 120.960 | 60.068 |
| Gains / (losses) on cash flow hedges | 360.438 | (17.916) | (49.682) | 31.580 |
| Gains / (losses) on hedges of net investments in foreign operations | (150.010) | (65.805) | (101.206) | (52.073) |
| Gains / (losses) on change in value of time value of options | (671.504) | 79.897 | (441.269) | (30.187) |
| Tax effect on other comprehensive income items to be reclassified to profit or loss | | | | |
| - Taxes relating to cash flow hedges | (72.088) | 3.583 | 9.937 | (6.315) |
| - Taxes relating to (gains) / losses on hedges of net investments in foreign operations | 30.002 | 13.161 | 20.242 | 10.415 |
| - Taxes relating to change in value of time value of options of other comprehensive (loss) / income | 134.301 | (15.979) | 88.253 | 6.037 |
| Other comprehensive (loss) / income | (310.603) | (85.644) | (373.760) | (218.255) |
| Total comprehensive income | 2.317.412 | 1.186.765 | 1.267.413 | 762.218 |

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

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

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

| | Other accumulated comprehensive income / (loss) that will not be reclassified in profit or loss | | | | | | | | | | | Other accumulated comprehensive income / (loss) that will be reclassified in profit or loss | | | Retained earnings / (losses) | | Total equity |
|--|---|----------------------------------|----------------------|--------------------|---|---|--|--|--------------------------------------|--|-------------------------------------|---|-------------------------------|---------------------------|------------------------------|--|--------------|
| | Issued capital | Inflation adjustments on capital | Share based payments | Other reserves | 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 | | | Exchange differences on translation | Restricted reserves appropriated from profits | Prior years' profit or losses | Current period net profit | | | |
| | | | | | 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 | | | | | | | |
| Balance at 1 January 2020 | 3.500.000 | (239.752) | 9.528 | (1.320.942) | 4.351.897 | (692.610) | (132.819) | (403.597) | (438.864) | (321.854) | 471.382 | 2.355.969 | (102.268) | 2.406.783 | 9.442.853 | | |
| Transfers | - | - | - | - | - | - | - | - | - | - | - | - | 2.406.783 | (2.406.783) | - | | |
| Total comprehensive income | - | - | - | - | - | (46.484) | 25.489 | (80.964) | (39.745) | (353.016) | 120.960 | - | - | 1.641.173 | 1.267.413 | | |
| Profit for period | - | - | - | - | - | - | - | - | - | - | - | - | - | 1.641.173 | 1.641.173 | | |
| Other comprehensive income | - | - | - | - | - | (46.484) | 25.489 | (80.964) | (39.745) | (353.016) | 120.960 | - | - | - | (373.760) | | |
| Transfer of share based payments reserve to accumulated comprehensive income | - | - | (9.528) | - | - | - | - | - | - | - | - | - | 9.528 | - | - | | |
| Balance at 30 June 2020 | 3.500.000 | (239.752) | - | (1.320.942) | 4.351.897 | (739.094) | (107.330) | (484.561) | (478.609) | (674.870) | 592.342 | 2.355.969 | 2.314.043 | 1.641.173 | 10.710.266 | | |
| Balance at 1 January 2021 | 3.500.000 | (239.752) | - | (1.320.942) | 4.766.342 | (782.420) | (88.747) | (593.149) | (320.668) | (717.854) | 721.066 | 2.398.634 | 1.536.993 | 3.177.873 | 12.037.376 | | |
| Transfers | - | - | - | - | - | - | - | - | - | - | - | 169.754 | 1.135.584 | (1.305.338) | - | | |
| Total comprehensive income | - | - | - | - | - | (71.172) | (49.492) | (120.008) | 288.350 | (537.203) | 178.922 | - | - | 2.628.015 | 2.317.412 | | |
| Profit for period | - | - | - | - | - | - | - | - | - | - | - | - | - | 2.628.015 | 2.628.015 | | |
| Other comprehensive income | - | - | - | - | - | (71.172) | (49.492) | (120.008) | 288.350 | (537.203) | 178.922 | - | - | - | (310.603) | | |
| Dividends paid (Note 14) | - | - | - | - | - | - | - | - | - | - | - | - | - | (1.872.535) | (1.872.535) | | |
| Balance at 30 June 2021 | 3.500.000 | (239.752) | - | (1.320.942) | 4.766.342 | (853.592) | (138.239) | (713.157) | (32.318) | (1.255.057) | 899.988 | 2.568.388 | 2.672.577 | 2.628.015 | 12.482.253 | | |

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS PERIOD ENDED
30 JUNE 2021

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

| | Current Period | Prior Period |
|---|---------------------------------|---------------------------------|
| | Reviewed | Reviewed |
| <i>Notes</i> | 1 January - 30 June 2021 | 1 January - 30 June 2020 |
| Net profit for the period | 2.628.015 | 1.641.173 |
| Adjustments to reconcile profit | | |
| Adjustments for depreciation and amortisation expense | 2.945.870 | 2.570.715 |
| Adjustments for impairment loss / (reversal of impairment loss) | | |
| - Adjustments for impairment loss of receivables | 90.882 | 131.243 |
| - Adjustments for impairment loss of property, plant and equipment | 25.980 | 5.320 |
| - Other adjustments for impairment loss (reversal of impairment loss) | 3.641 | (11.975) |
| Adjustments for provisions | | |
| - Adjustments for (reversal of) provisions related with employee benefits | 279.759 | 237.105 |
| - Adjustments for (reversal of) lawsuit and/or penalty provisions | 30.936 | 33.448 |
| - Adjustments for (reversal of) other provisions | 1.237 | - |
| Adjustments for interest expense and income | | |
| - Adjustments for interest income | (136.963) | (103.185) |
| - Adjustments for interest expense | 1.001.270 | 1.173.480 |
| - Deferred financial expenses from credit purchases | (8.699) | 12.429 |
| Adjustments for unrealised foreign exchange losses | 584.229 | 796.266 |
| Adjustments for fair value losses / (gains) | | |
| - Adjustments for fair value (gains) / losses on derivative financial instruments | 144.522 | (23.027) |
| - Adjustments for fair value losses / (gains) of issued financial instruments | 15.084 | (12.419) |
| Adjustments for tax expense / (income) | 671.048 | 423.269 |
| Adjustments for losses / (gains) on disposal of non-current assets | | |
| - Adjustments for gains arised from sale of tangible assets | (427.065) | (167.620) |
| Other adjustments for which cash effects are investing or financing cash flow | 25.419 | 35.923 |
| Other adjustments for non-cash items | 16 (111.501) | (110.718) |
| Operating profit before working capital changes | 7.763.664 | 6.631.427 |
| Changes in working capital: | | |
| Adjustments for (increase) / decrease in trade receivables | | |
| - (Increase) / decrease in trade receivables from related parties | (4.329) | (6.984) |
| - (Increase) / decrease in trade receivables from unrelated parties | (642.816) | (718.832) |
| Adjustments for (increase) / decrease in inventories | (36.130) | (71.121) |
| Adjustments for increase / (decrease) in trade payable | | |
| - Increase / (decrease) in trade payables to related parties | - | (87) |
| - Increase / (decrease) in trade payables to unrelated parties | (1.689.522) | (390.933) |
| Adjustments for (increase) / decrease in other receivables related with operations | | |
| - (Increase) / decrease in other unrelated party receivables related with operations | (229.744) | (87.373) |
| Adjustments for increase / (decrease) in other operating payables related with operations | | |
| - Increase / (decrease) in other payables related with operations to unrelated parties | 143.106 | (27.145) |
| Cash flow from operations: | | |
| Interest received | 81.942 | 57.989 |
| Payments related with provisions for employee benefits | (542.196) | (349.983) |
| Payments related with other provisions | (69.766) | (110.218) |
| Income taxes paid | (239.089) | (137.841) |
| Other inflows of cash | 16 38.187 | 155.162 |
| Net cash generated from operating activities | 4.573.307 | 4.944.061 |

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

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS PERIOD ENDED
30 JUNE 2021

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

| | Current Period | Prior Period |
|--|-------------------------------------|-------------------------------------|
| | Reviewed | Reviewed |
| <i>Notes</i> | 1 January - 30 June 2021 | 1 January - 30 June 2020 |
| Cash flows used in investing activities | | |
| Cash outflows arising from capital advance payments to associates and/or joint ventures | – | (3.264) |
| Cash outflows from purchase of additional shares of subsidiaries | – | (205.000) |
| Proceeds from sale of property, plant, equipment and intangible assets | | |
| - <i>Proceeds from sales of property, plant and equipment</i> | 453.545 | 187.390 |
| Purchases of property, plant, equipment and intangible assets | | |
| - <i>Purchase of property, plant and equipment</i> | (927.848) | (593.772) |
| - <i>Purchase of intangible assets</i> | (1.572.546) | (1.594.494) |
| Net cash used in investing activities | (2.046.849) | (2.209.140) |
| Cash flows from financing activities | | |
| Proceed from borrowings | | |
| - <i>Proceeds from loans</i> | 2.380.071 | 3.295.965 |
| Repayments of borrowings | | |
| - <i>Loan repayments</i> | (4.395.854) | (4.633.952) |
| Payments of lease liabilities, net | (451.616) | (393.152) |
| Cash inflows / (outflows) from derivative instruments, net | 581.007 | 360.824 |
| Dividends paid | (624.178) | – |
| Interest paid | (960.908) | (1.047.388) |
| Interest received | 55.021 | 43.355 |
| Other cash outflows, net | 16 (46.419) | (35.923) |
| Net cash used in financing activities | (3.462.876) | (2.410.271) |
| NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES | (936.418) | 324.650 |
| IMPACT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS | 95.713 | 67.192 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 4.370.117 | 4.417.662 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 6 3.529.412 | 4.809.504 |

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

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

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

1. REPORTING ENTITY

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

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

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

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

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

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

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

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

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

1. REPORTING ENTITY (CONTINUED)

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

| Name of Subsidiary | Place of incorporation and operation | Principal activity | Functional Currency | Effective ownership of the Company (%) | |
|---|--------------------------------------|--|---------------------|--|------------------|
| | | | | 30 June 2021 | 31 December 2020 |
| TTNet Anonim Şirketi (“TTNet”) | Turkey | Internet service provider | Turkish Lira | 100 | 100 |
| TT Mobil İletişim Hizmetleri A.Ş.(“TT Mobil”) | Turkey | GSM operator | Turkish Lira | 100 | 100 |
| Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret Anonim Şirketi(“Argela”) | Turkey | Telecommunication solutions | Turkish Lira | 100 | 100 |
| Innova Bilişim Çözümleri Anonim Şirketi (“Innova”) | Turkey | Telecommunication solutions | Turkish Lira | 100 | 100 |
| Assist Rehberlik ve Müşteri Hizmetleri Anonim Şirketi (“AssisTT”) | Turkey | Call center and customer relations | Turkish Lira | 100 | 100 |
| Sebit Eğitim ve Bilgi Teknolojileri A.Ş.(“Sebit”) | Turkey | Web Based Learning | Turkish Lira | 100 | 100 |
| NETSIA Inc. | USA | Telecommunications solutions | U.S. Dollar | 100 | 100 |
| Sebit LLC | USA | Web based learning | U.S. Dollar | 100 | 100 |
| TT International Holding B.V.(“TT International”) (*) | Netherlands | Holding company | Euro | 100 | 100 |
| Türk Telekom International AT GmbH (“TTINT Austria”)(*) | Austria | Internet/data services, infrastructure and wholesale voice services provider | Euro | 100 | 100 |
| Türk Telekom International Hu Kft (TTINT Hungary)(*) | Hungary | Internet/data services, infrastructure and wholesale voice services provider | Euro | 100 | 100 |
| S.C. Euroweb Romania S.A.(“TTINT Romania”) (*) | Romania | Internet/data services, infrastructure and wholesale voice services provider | Euro | 100 | 100 |
| Türk Telekom International Bulgaria EODD (“TTINT Bulgaria”)(*) | Bulgaria | Internet/data services, infrastructure and wholesale voice services provider | Euro | 100 | 100 |
| Türk Telekom International CZ s.r.o (“TTINT Czech Republic”)(*) | Czech Republic | Internet/data services, infrastructure and wholesale voice services provider | Euro | 100 | 100 |
| Türk Telekom International SRB d.o.o (“TTINT Serbia”)(*) | Serbia | Internet/data services, infrastructure and wholesale voice services provider | Euro | 100 | 100 |
| TTINT Telekomunikacije d.o.o. (“TTINT Slovenia”) (*) | Slovenia | Internet/data services, infrastructure and wholesale voice services provider | Euro | 100 | 100 |
| Türk Telekom International SK s.r.o (“TTINT Slovakia”) (*) | Slovakia | Internet/data services, infrastructure and wholesale voice services provider | Euro | 100 | 100 |
| TT International Telekomünikasyon Sanayi ve Ticaret Limited Şirketi (“TTINT Turkey”)(*) | Turkey | Internet/data services, infrastructure and wholesale voice services provider | Euro | 100 | 100 |
| Türk Telekom International UA LLC (“TTINT Ukraine”)(*) | Ukraine | Internet/data services, infrastructure and wholesale voice services provider | Euro | 100 | 100 |
| Türk Telekom International Italy S.R.L. (TTINT Italy) (*) | Italy | Internet/data services, infrastructure and wholesale voice services provider | Euro | 100 | 100 |
| TTINT International MK DOOEL (“TTINT Macedonia”)(*) | Macedonia | Internet/data services, infrastructure and wholesale voice services provider | Euro | 100 | 100 |
| Türk Telekom International RU LLC (“TTINT Russia”) (*) | Russia | Internet/data services, infrastructure and wholesale voice services provider | Euro | 100 | 100 |
| Tasfiye Halindeki Türk Telekomünikasyon Euro GmbH. (“TT Euro”)(*) | Germany | Mobil service marketing | Euro | 100 | 100 |
| Türk Telekom International d.o.o.(*) | Croatia | Internet/data services, infrastructure and wholesale voice services provider | Euro | 100 | 100 |
| Türk Telekom International HK Limited (*) | Hong Kong | Internet/data services, infrastructure and wholesale voice services provider | H.K. Dollar | 100 | 100 |
| Net Ekran TV ve Medya Hiz. A.Ş. (“Net Ekran”) | Turkey | Television and radio broadcasting | Turkish Lira | 100 | 100 |
| TTES Elektrik Tedarik Satış A.Ş.(“TTES”) | Turkey | Electrical energy trading | Turkish Lira | 100 | 100 |
| TT Ödeme ve Elektronik Para Hizmetleri A.Ş. | Turkey | Mobile finance | Turkish Lira | 100 | 100 |
| Net Ekran1 TV ve Medya Hiz. A.Ş. (“Net Ekran1”) | Turkey | Television and radio broadcasting | Turkish Lira | 100 | 100 |
| Net Ekran2 TV ve Medya Hiz. A.Ş. (“Net Ekran2”) | Turkey | Television and radio broadcasting | Turkish Lira | 100 | 100 |
| Net Ekran3 TV ve Medya Hiz. A.Ş. (“Net Ekran3”) | Turkey | Television and radio broadcasting | Turkish Lira | 100 | 100 |
| Net Ekran4 TV ve Medya Hiz. A.Ş. (“Net Ekran4”) | Turkey | Television and radio broadcasting | Turkish Lira | 100 | 100 |
| Net Ekran6 TV ve Medya Hiz. A.Ş. (“Net Ekran6”) | Turkey | Television and radio broadcasting | Turkish Lira | 100 | 100 |
| Net Ekran10 TV ve Medya Hiz. A.Ş. (“Net Ekran10”) | Turkey | Television and radio broadcasting | Turkish Lira | 100 | 100 |
| Net Ekran11 TV ve Medya Hiz. A.Ş. (“Net Ekran11”) | Turkey | Television and radio broadcasting | Turkish Lira | 100 | 100 |
| Tasfiye Halindeki 11818 Rehberlik ve Müşteri Hizmetleri A.Ş. (“11818”) | Turkey | Call center and customer relations | Turkish Lira | 100 | 100 |
| TT Satış ve Dağıtım Hizmetleri Anonim Şirketi | Turkey | Selling and Distribution Services | Turkish Lira | 100 | 100 |
| TT Ventures Proje Geliştirme A.Ş. | Turkey | Corporate Venture Capital | Turkish Lira | 100 | 100 |
| TT Destek Hizmetleri A.Ş. (**) | Turkey | Provider of combined facilities support activities | Turkish Lira | 100 | 100 |

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

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

(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 June 2021 and 31 December 2020 are as follows:

| Name of Joint Operation | Place of incorporation and operation | Principal activity | Functional Currency | Effective ownership of the Company (%) | |
|---|--------------------------------------|--|---------------------|--|------------------|
| | | | | 30 June 2021 | 31 December 2020 |
| TT Mobil-Vodafone Evrensel İş Ortaklığı | Turkey | Internet/data services, infrastructure and wholesale voice services provider | Turkish Lira | 51 | 51 |

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

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

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

The number of personnel subject to collective agreement as at 30 June 2021 is 10.006 (31 December 2020: 10.063) and the number of personnel not subject to collective agreement as at 30 June 2021 is 24.799 (31 December 2020: 24.685). The total number of personnel as at 30 June 2021 and 31 December 2019 are 34.805 and 34.748, respectively.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation of the interim condensed consolidated financial statements

a) Statement of compliance with TFRS

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

The interim condensed consolidated financial statements are presented in accordance with the TFRS Taxonomy developed based on the Illustrative Financial Statements and User Guide published in the Official Gazette numbered 28676 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 June 30, 2021. The Group’s interim condensed consolidated financial statement does not include all disclosures and notes that should be included at year-end financial statements. Therefore, the interim condensed consolidated financial statements should be examined together with the 31 December 2020 year-end financial statements.

Approval of the financial statements:

The interim condensed consolidated financial statements are approved by the Company’s Board of Directors on 9 August 2021.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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

b) Correction of financial statements during the hyperinflationary periods

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

c) Basis of measurement

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

d) Functional and presentation currency

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

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

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

Additional paragraph for convenience translation to English:

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

e) Significant accounting assessments, estimates and assumptions

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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

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

Determination of fair values

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

i) Trade and other receivables

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

ii) Forward contracts and interest rate swaps

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

iii) Issued debt instruments

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

iv) Other non-derivative financial liabilities

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

v) Lands

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

vi) Taxes

In Turkey, the corporate tax rate is 20%. However, the corporate tax rate will be applied as 25% for the corporate income for the 2021 taxation period and 23% for the corporate income for the 2022 taxation period in accordance with the article 11 of the Law No. 7316 on the Procedure for Collection of Public Claims and the Law Amending Some Other Laws and included to the temporary article 13 of Law No. 5520 Corporate Tax Law which are published in the Official Gazette numbered 31462 on 22 April 2021. Corporate tax rate after 2022 expected to be 20%.

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

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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

vi) Taxes (continued)

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

2.2 Summary of significant accounting policies

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the condensed consolidated financial statements as at June 30, 2021 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2021. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 1 January 2021

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

In December 2020, the POA issued Interest Rate Benchmark Reform – Phase 2, Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR, amending the followings. The amendments are effective for periods beginning on or after 1 January 2021. Earlier application is permitted and must be disclosed.

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

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

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

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

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

Relief from discontinuing hedging relationships

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

Separately identifiable risk components

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

Additional disclosures

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

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

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

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

In June 2020, the POA issued amendments to TFRS 16 Leases to provide relief to lessees from applying TFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. In 7 April 2021, POA extended the exemption to include concessions that cause a decrease in lease payments whose maturity expired on or before 30 June 2022.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 April 2021. Early application of the amendments is permitted.

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

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

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.

Amendments to TFRS 3 – Reference to the Conceptual Framework

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

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

Amendments to TAS 16 – Proceeds before intended use

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to TAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

There is no transition relief for the first time adopters.

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

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

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

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

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments issued to TAS 37 which are effective for periods beginning on or after 1 January 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a “directly related cost approach”. Amendments must be applied retrospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

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

TFRS 17 - The new Standard for insurance contracts

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. [The standard is not applicable for the Group and will not have an impact on the financial position or performance of the the Group.

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

On March 12, 2020, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

Annual Improvements – 2018–2020 Cycle

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

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

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

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

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

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

Amendments to IAS 8 - Definition of Accounting Estimates

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of ‘accounting estimates’. The amendments issued to IAS 8 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the Board.

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

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

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

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

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

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

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

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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 June 2021 | 1 April - 30 June 2021 | 1 January - 30 June 2020 | 1 April - 30 June 2020 |
|---|-----------------------------|---------------------------|-----------------------------|---------------------------|
| Weighted average number of ordinary shares outstanding during the year | 350.000.000.000 | 350.000.000.000 | 350.000.000.000 | 350.000.000.000 |
| Net profit for the period attributable to equity holders of the Company | 2.628.015 | 1.272.409 | 1.641.173 | 980.473 |
| Basic and earnings per share (in full kuruş) | 0,7509 | 0,3635 | 0,4689 | 0,2801 |

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 Ventures, 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. 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 June 2021 | 1 January - 30 June 2020 | 1 January - 30 June 2021 | 1 January - 30 June 2020 | 1 January - 30 June 2021 | 1 January - 30 June 2020 | 1 January - 30 June 2021 | 1 January - 30 June 2020 |
| Revenue | 11.663.789 | 9.561.910 | 5.398.310 | 4.691.024 | (1.293.801) | (980.860) | 15.768.298 | 13.272.074 |
| Contributive revenue (*) | 10.389.898 | 8.606.796 | 5.378.400 | 4.665.278 | – | – | 15.768.298 | 13.272.074 |
| EBITDA | 6.266.411 | 4.883.033 | 1.582.861 | 1.330.153 | (24.357) | 916 | 7.824.915 | 6.214.102 |
| Contributive adjusted EBITDA (**) | 5.408.964 | 4.213.460 | 2.415.951 | 2.000.642 | – | – | 7.824.915 | 6.214.102 |
| Capital expenditure (***) | 2.088.772 | 1.521.436 | 574.736 | 612.263 | (3.508) | (1.079) | 2.660.000 | 2.132.620 |

| | Fixed line | | Mobile | | Intra-group eliminations and consolidated adjustments | | Consolidated | |
|--|------------------------|------------------------|------------------------|------------------------|---|------------------------|------------------------|------------------------|
| | 1 April - 30 June 2021 | 1 April - 30 June 2020 | 1 April - 30 June 2021 | 1 April - 30 June 2020 | 1 April - 30 June 2021 | 1 April - 30 June 2020 | 1 April - 30 June 2021 | 1 April - 30 June 2020 |
| Revenue | 6.045.079 | 5.075.773 | 2.815.385 | 2.408.274 | (679.083) | (514.722) | 8.181.381 | 6.969.325 |
| Contribution to the consolidated revenue (*) | 5.376.731 | 4.572.162 | 2.804.650 | 2.397.163 | – | – | 8.181.381 | 6.969.325 |
| EBITDA | 3.206.611 | 2.551.347 | 837.887 | 685.064 | (22.816) | 256 | 4.021.682 | 3.236.667 |
| Contribution to the consolidated EBITDA (**) | 2.746.884 | 2.190.499 | 1.274.798 | 1.046.168 | – | – | 4.021.682 | 3.236.667 |
| Capital expenditure (***) | 1.183.916 | 883.223 | 225.249 | 354.881 | (2.647) | (1.079) | 1.406.518 | 1.237.025 |

(*) “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 111.500 (30 June 2020: TL 110.718) 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 June 2021 | 1 April - 30 June 2021 | 1 January - 30 June 2020 | 1 April - 30 June 2020 |
|--|-------------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|
| Fixed line contributive EBITDA | 5.408.964 | 2.746.884 | 4.213.460 | 2.190.499 |
| Mobile contributive EBITDA | 2.415.951 | 1.274.798 | 2.000.642 | 1.046.168 |
| EBITDA | 7.824.915 | 4.021.682 | 6.214.102 | 3.236.667 |
| Foreign exchange gains, interest income, discount income on current accounts presented in other operating income | 105.484 | 59.642 | 62.182 | 22.126 |
| Foreign exchange losses, interest income, discount income on current accounts presented in other operating expense (-) | (249.668) | (79.176) | (269.914) | (94.500) |
| Financial income | 846.053 | 133.424 | 735.098 | 265.340 |
| Financial expense (-) | (2.255.871) | (1.007.021) | (2.100.991) | (896.103) |
| Depreciation, amortisation and impairment | (2.971.850) | (1.519.500) | (2.576.035) | (1.302.862) |
| Consolidated profit before tax | 3.299.063 | 1.609.051 | 2.064.442 | 1.230.668 |

| 30 June 2021 | Fixed Line | Mobile | Eliminations | Consolidated |
|---------------------------|-------------------|---------------|---------------------|---------------------|
| Total segment assets | 34.581.602 | 12.525.183 | (1.101.867) | 46.004.918 |
| Total segment liabilities | (29.917.621) | (4.706.911) | 1.101.867 | (33.522.665) |
| 31 December 2020 | Fixed Line | Mobile | Eliminations | Consolidated |
| Total segment assets | 33.734.650 | 12.019.457 | (1.031.587) | 44.722.520 |
| Total segment liabilities | (29.152.082) | (4.564.649) | 1.031.587 | (32.685.144) |

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6. CASH AND CASH EQUIVALENTS

| | 30 June 2021 | 31 December 2020 |
|-------------------------------|---------------------|-------------------------|
| Cash on hand | 642 | 301 |
| Cash at banks– demand deposit | 1.150.543 | 747.659 |
| Cash at banks– time deposit | 2.977.850 | 4.259.967 |
| | 4.129.035 | 5.007.927 |

As of 30 June 2021, time deposits are all short-term, maturing within one month and denominated in both foreign currencies and TL. The interest rates are between 5,50% and 19,30% for TL deposits, between 0,25% and 2,50% for USD deposits and between 0,60% and 2,90% for EUR deposits (31 December 2020: for TL deposits between 5,50% and 18,75%, for USD deposits between 0,05% and 3,30%, for EUR deposits between 0,85% and 2,90%).

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

| | 30 June 2021 | 30 June 2020 |
|---|---------------------|---------------------|
| Cash and cash equivalents | 4.129.035 | 5.182.750 |
| Less: restricted amounts | | |
| - Collection protocols and ATM collection | (417.307) | (333.283) |
| - Other | (182.316) | (39.963) |
| Unrestricted cash | 3.529.412 | 4.809.504 |

As of 30 June 2021, demand deposits amounting to TL 417.307 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 June 2021, Other restricted amounts consist of blocked deposits related to Group’s derivative financial instruments.

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

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7. FINANCIAL LIABILITIES

Bank borrowings

| | 30 June 2021 | | | 31 December 2020 | | |
|---|--|-------------------|---------------|--|-------------------|---------------|
| | Weighted average nominal interest rate (%) | Original amount | TL equivalent | Weighted average nominal interest rate (%) | Original amount | TL equivalent |
| Short-term bank loans: | | | | | | |
| Unsecured TL bank loans with fixed interest rates | 13,90 | 1.267.127 | 1.267.127 | 9,76 | 2.631.145 | 2.631.145 |
| Unsecured Yuan bank borrowings with variable interest rates | – | – | – | 4,27 | 43.986 | 49.185 |
| Interest accruals: | | | | | | |
| Unsecured TL bank loans with fixed interest rates | | 48.308 | 48.308 | | 102.016 | 102.016 |
| Unsecured Yuan bank borrowings with variable interest rates | | – | – | | 790 | 884 |
| Short-term bank loans | | 1.315.435 | | | 2.783.230 | |
| Short-term portion of long-term bank loans: | | | | | | |
| Unsecured USD bank loans with variable interest rates(*) | 2,20 | 115.901 | 1.008.939 | 2,22 | 255.884 | 1.878.316 |
| Unsecured EUR bank loans with variable interest rates (**) | 0,90 | 99.991 | 1.036.361 | 0,89 | 99.624 | 897.406 |
| Interest accruals of long-term bank loans: | | | | | | |
| Unsecured USD bank loans with variable interest rates (*) | | 2.694 | 23.456 | | 3.048 | 22.376 |
| Unsecured EUR bank loans with variable interest rates (**) | | 378 | 3.915 | | 430 | 3.874 |
| Current portion of long-term bank loans | | 2.072.671 | | | 2.801.972 | |
| Total short-term bank loans | | 3.388.106 | | | 5.585.202 | |
| Long-term bank loans: | | | | | | |
| Unsecured USD bank loans with variable interest rates (*) | 2,20 | 605.953 | 5.274.940 | 2,22 | 508.061 | 3.729.425 |
| Unsecured EUR bank loans with variable interest rates (**) | 0,90 | 313.204 | 3.246.204 | 0,89 | 338.137 | 3.045.902 |
| Total long-term bank loans | | 8.521.144 | | | 6.775.327 | |
| Total bank loans | | 11.909.250 | | | 12.360.529 | |

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

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

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7. FINANCIAL LIABILITIES (CONTINUED)

Bank borrowings (continued)

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

| | 30 June 2021 | | | | | Total | 31 December 2020 | | | | | Total |
|---|------------------|--------------------|-------------------|--------------------|-------------------|-------------------|------------------|--------------------|-------------------|--------------------|-------------------|-------------------|
| | Up to 3 months | 3 months to 1 year | 1 year to 2 years | 2 years to 5 years | More than 5 years | | Up to 3 months | 3 months to 1 year | 1 year to 2 years | 2 years to 5 years | More than 5 years | |
| Unsecured TL bank borrowings with fixed interest rates | 1.315.435 | – | – | – | – | 1.315.435 | 1.307.745 | 1.425.416 | – | – | – | 2.733.161 |
| Unsecured USD bank borrowings with variable interest rates | 86.988 | 945.407 | 2.422.452 | 2.677.264 | 175.224 | 6.307.335 | 805.564 | 1.095.128 | 2.088.376 | 1.616.581 | 24.468 | 5.630.117 |
| Unsecured EUR bank borrowings with variable interest rates | 41.717 | 998.559 | 888.072 | 2.025.619 | 332.513 | 4.286.480 | 36.104 | 865.176 | 829.850 | 1.937.276 | 278.776 | 3.947.182 |
| Unsecured Yuan bank borrowings with variable interest rates | – | – | – | – | – | – | 850 | 49.219 | – | – | – | 50.069 |
| | 1.444.140 | 1.943.966 | 3.310.524 | 4.702.883 | 507.737 | 11.909.250 | 2.150.263 | 3.434.939 | 2.918.226 | 3.553.857 | 303.244 | 12.360.529 |

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7. FINANCIAL LIABILITIES (CONTINUED)

Issued debt instruments

| | 30 June 2021 | | | 31 December 2020 | | |
|--|--|-----------------|------------------|--|-----------------|------------------|
| | Weighted average nominal interest rate (%) | Original amount | TL equivalent | Weighted average nominal interest rate (%) | Original amount | TL equivalent |
| Short-term portion of long-term issued debt instruments: | | | | | | |
| TL issued debt instruments with variable interest rates | 21,12 | 150.000 | 150.000 | - | - | - |
| Interest accruals of short-term portion of long-term issued debt instruments: | | | | | | |
| TL issued debt instruments with variable interest rates | | 1.341 | 1.341 | | 1.308 | 1.308 |
| USD issued debt instruments with fixed interest rates | | 13.443 | 117.027 | | 13.146 | 96.500 |
| Short-term issued debt instruments | | | 268.368 | | | 97.808 |
| Long-term issued debt instruments: | | | | | | |
| TL issued debt instruments with variable interest rates | | - | - | 17,44 | 149.711 | 149.711 |
| USD issued debt instruments with fixed interest rates | 5,88 | 997.824 | 8.686.259 | 5,88 | 992.965 | 7.288.858 |
| Long-term issued debt instruments | | | 8.686.259 | | | 7.438.569 |
| Total issued debt instruments | | | 8.954.627 | | | 7.536.377 |

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

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

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

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

| | 30 June 2021 | | | | | 31 December 2020 | | | | |
|---|----------------|--------------------|-------------------|-------------------|------------------|------------------|--------------------|-------------------|-------------------|------------------|
| | Up to 3 months | 3 months to 1 year | 1 year to 5 years | More than 5 years | Total | Up to 3 months | 3 months to 1 year | 1 year to 5 years | More than 5 years | Total |
| TL issued debt instruments with variable interest rates | 1.341 | 150.000 | - | - | 151.341 | 1.308 | - | 149.711 | - | 151.019 |
| USD issued debt instruments with fixed interest rates | 117.027 | - | 8.656.259 | - | 8.803.286 | 96.500 | - | 7.288.858 | - | 7.385.358 |
| | 118.368 | 150.000 | 8.656.259 | - | 8.954.627 | 97.808 | - | 7.438.569 | - | 7.536.377 |

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7. FINANCIAL LIABILITIES (CONTINUED)

Lease liabilities

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

| | | 30 June 2021 | | | 31 December 2020 | |
|-------------------|----------|--------------------|-----------------------|------------------|-----------------------|------------------|
| | Currency | Interest rate type | Nominal interest rate | Carrying amount | Nominal interest rate | Carrying amount |
| Lease liabilities | TL | Fixed | 9,0% - 20,0% | 1.240.053 | 9,0% - 20,0% | 1.223.002 |
| Lease liabilities | USD | Fixed | 3,0% - 7,0% | 64.563 | 4,0% - 7,0% | 37.198 |
| Lease liabilities | EUR | Fixed | 2,5% - 4,5% | 80.357 | 2,5% - 4,5% | 75.220 |
| Lease liabilities | Other | Fixed | 3,3% | 2.097 | 3,3% | 2.266 |
| | | | | 1.387.070 | | 1.337.686 |

8. DUE FROM AND DUE TO RELATED PARTIES

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

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

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

| | 30 June 2021 | 31 December 2020 |
|--|---------------|------------------|
| Due from related parties (Trade receivables-short term) | | |
| Akbank T.A.Ş. | 12.640 | 6.240 |
| Türkiye Garanti Bankası A.Ş. | 4.299 | 6.727 |
| Türkiye İş Bankası A.Ş. | 2.724 | 2.367 |
| | 19.663 | 15.334 |

| | 30 June 2021 | 31 December 2020 |
|---|------------------|------------------|
| Other payables due to related parties | | |
| Dividend payables to shareholders (*) (Note 14) | 1.248.357 | — |
| | 1.248.357 | — |

(*)The gross amount TL 1.872.535 of dividend debt to shareholders decided to be distributed by the Company’s Board of Directors in three equal payments as of 19 March 2021 and the remaining amount TL 1.248.357 of dividend to be distributed after the first payment on 1 April 2021.

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

| Deposits held by related parties | 30 June 2021 | 31 December 2020 |
|---|---------------------|-------------------------|
| Türkiye İş Bankası A.Ş. | | |
| Time Deposit | – | 1.993 |
| Demand Deposit | 158.114 | 200.296 |
| | 158.114 | 202.289 |
| Akbank T.A.Ş. | | |
| Time Deposit | 17.150 | 60.150 |
| Demand Deposit | 411.677 | 46.793 |
| | 428.827 | 106.943 |
| Türkiye Garanti Bankası A.Ş. | | |
| Demand Deposit | 151.193 | 104.582 |
| | 151.193 | 104.582 |
| Bank loans from related parties | 30 June 2021 | 31 December 2020 |
| Türkiye İş Bankası A.Ş. | 272.157 | 604.809 |
| Türkiye Garanti Bankası A.Ş. | 268.000 | 264.944 |
| Akbank T.A.Ş. | 207.429 | – |
| | 747.586 | 869.753 |

Transactions with shareholders:

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

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

Guarantees provided to related parties:

As of 30 June 2021, guarantees amounting to EUR 92.514, USD 33.333 are given for financial liabilities of TT Mobil, TTINT Turkey which are amounted to EUR 92.514, USD 33.333 respectively, by Türk Telekom.

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

Transactions with related parties:

| | 1 January - 30 June 2021 | 1 January - 30 June 2020 |
|---|-------------------------------------|-------------------------------------|
| Interest income from related parties | | |
| Akbank T.A.Ş. | 1.118 | 4.881 |
| Türkiye Garanti Bankası A.Ş. | 606 | 390 |
| Türkiye İş Bankası A.Ş. | – | 604 |
| | 1.724 | 5.875 |
| Other income from related parties | | |
| Akbank T.A.Ş. | 45.229 | 44.278 |
| Türkiye Garanti Bankası A.Ş. | 24.293 | 29.105 |
| Türkiye İş Bankası A.Ş. | 7.731 | 15.453 |
| | 77.253 | 88.836 |

Compensation of key management personnel

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

| | 1 January - 30 June 2021 | 1 January - 30 June 2020 |
|---------------------|-------------------------------------|-------------------------------------|
| Short-term benefits | 61.431 | 54.968 |
| Long-term benefits | 1.300 | 1.098 |
| | 62.731 | 56.066 |

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9. TRADE RECEIVABLES FROM AND PAYABLES TO UNRELATED PARTIES

Trade receivables

| | 30 June 2021 | 31 December 2020 |
|---|---------------------|-------------------------|
| Short-term | | |
| Trade receivables | 9.320.587 | 8.741.290 |
| Contract assets | 1.034.847 | 902.613 |
| Other trade receivables | 347.562 | 297.542 |
| Allowance for doubtful receivables (-) | (3.846.265) | (3.754.151) |
| Total short-term trade receivables | 6.856.731 | 6.187.294 |
| Long-term | | |
| Trade receivables | 194.513 | 281.442 |
| Total long-term trade receivables | 194.513 | 281.442 |

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

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

| | 1 January - 30 June 2021 | 1 January - 31 December 2020 |
|--|-------------------------------------|---|
| At January 1 | (3.754.151) | (3.490.624) |
| Provision for the year, net | (89.176) | (129.855) |
| Change in currency translation differences | (2.938) | 137 |
| At 30 June | (3.846.265) | (3.620.342) |

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 218.773.

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

Trade payables

| | 30 June 2021 | 31 December 2020 |
|--|---------------------|-------------------------|
| Short-term | | |
| Trade payables | 2.779.765 | 4.841.056 |
| Expense accruals | 1.031.626 | 452.465 |
| Total short-term trade payables | 3.811.391 | 5.293.521 |

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

As of 30 June 2021, short term trade payables consists of payables within scope of supplier finance that amounting TL 528.135 (31 December 2020: TL 1.088.089).

10. TANGIBLE AND INTANGIBLE ASSETS

The amount of tangible and intangible assets purchased during the six month period ended 30 June 2021 is TL 2.660.000 (30 June 2020: TL 2.132.620)

Net book value of tangible and intangible assets sold during the six month period ended 30 June 2021 amounted to TL 26.487 (30 June 2020: TL 19.770).

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11. PROVISIONS

Other current provisions

The movement of other current provisions is as follows:

| | 30 June 2021 | 31 December 2020 |
|--|---------------------|-------------------------|
| Litigation, ICTA penalty and customer return provisions | 81.923 | 120.702 |
| Provision for expected credit losses on loan commitments (*) | 49.883 | 46.242 |
| | 131.806 | 166.944 |

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

Current provisions for employee benefits

| | 30 June 2021 | 31 December 2020 |
|---------------------------|---------------------|-------------------------|
| Personnel bonus provision | 158.936 | 276.460 |
| | 158.936 | 276.460 |

Non-current provisions for employee benefits

| | 30 June 2021 | 31 December 2020 |
|---------------------------------|---------------------|-------------------------|
| Defined benefit obligation (**) | 967.819 | 1.062.589 |
| Unused vacation provisions | 194.974 | 152.200 |
| | 1.162.793 | 1.214.789 |

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

The retirement pay liability as at 30 June 2021 is subject to a ceiling of full TL 7.638,96 (31 December 2020: full TL 7.117,17) per monthly salary for each service year.

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12. COMMITMENTS AND CONTINGENCIES

Guarantees received and given by the Group are summarized below:

| | | 30 June 2021 | | 31 December 2020 | |
|----------------------|---------|----------------------|-----------|----------------------|-----------|
| | | Original currency | TL | Original currency | TL |
| Guarantees received | USD | 119.900 | 1.043.755 | 130.434 | 957.454 |
| | TL | 1.419.412 | 1.419.412 | 1.129.576 | 1.129.576 |
| | EUR | 24.808 | 257.118 | 23.518 | 211.852 |
| | Sterlin | 4 | 46 | - | - |
| | | 2.720.331 | | 2.298.882 | |
| Guarantees given (*) | USD | 167.444 | 1.457.631 | 168.434 | 1.236.391 |
| | TL | 785.811 | 785.811 | 706.306 | 706.306 |
| | EUR | 73.757 | 764.451 | 72.106 | 649.523 |
| | | 3.003.404 | | 2.592.220 | |

(*) Guarantees given amounting to USD 151.500 (31 December 2020: USD 151.500) is related to the guarantee provided to the ICTA by TT Mobil with respect to the TT Mobil Concession Agreement, guarantees given amounting to EUR 12.840 (31 December 2020: EUR 12.840) is related with the guarantee provided for 3G license and guarantees given amounting to EUR 57.281 (31 December 2020: EUR 57.281) is related with the guarantee provided for 4.5G license.

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

| | 30 June 2021 | 31 December 2020 |
|---|------------------|------------------|
| A. GPMs given on behalf of the Company’s legal personality | 3.003.404 | 2.592.220 |
| B. GPMs given in favor of subsidiaries included in full consolidation | 1.249.032 | 1.155.067 |
| C. GPMs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business | 801.874 | 780.363 |
| Total | 5.054.310 | 4.527.650 |

Based on law 128/1 of Turkish Code of Obligations, the Group has given guarantee to distributors amounting to TL 801.874 for the financial obligation that would arise during the purchase of devices that will be sold as commitment sales by the Group (31 December 2020: TL 780.363). The guarantees has given to the banks TL 90.637, TL 138.012 Akbank T.A.Ş. and Türkiye Garanti Bankası A.Ş. respectively.

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12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Other commitments

The Group has purchase commitments for sponsorships, advertising and insurance services at the equivalent to TL 3.800 (31 December 2020: TL 7.300) as at 30 June 2021. Payments for these commitments are going to be made in a 2-year period.

The Group has purchase commitments for fixed assets amounting to USD 723.397, EUR 560.494 and TL 274.137, Pound 358 equivalent to TL 1.558.386 (31 December 2020: TL 919.484) as at 30 June 2021.

Disputes between the Group and the ICTA

The Company has filed various lawsuits against ICTA. These lawsuits are related with the sector-specific and tariff legislations and legislations with respect to the other operators in the market. The sector-specific disputes generally stem from the objections with respect to the provisions of interconnection legislation, legislation with respect to telecommunication services and infrastructure. According to the Article 99 of the Law numbered 7061 “Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation” which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the sub-article 9 added to the Article 60 of the Law numbered 5809; customer returns that are not repaid to the customers within the 2-year period, shall be transferred to the Ministry of Transport and Infrastructure of the Republic of Turkey as revenue under the name of “Revenues for Universal Service”. For the period ended 30 June 2021, customer returns amounted to TL 26.447 was transferred. As of 30 June 2021, TL 23.200 provision provided for ICTA penalties and amounts to be repaid to customers or to the Ministry of Transport and Infrastructure of the Republic of Turkey due to ICTA resolutions (31 December 2020: TL 59.531).

Other issues

Provision has been provided in the consolidated financial statements for the probable court cases against the Group based on the lawyers’ assessments. The provision for such court cases is amounting to TL 58.723 as at 30 June 2021 (31 December 2020: TL 61.171). For the rest of the cases, Group lawyers commented that basis of those cases are not realistic and should be appealed. Therefore, no provision has been provided for these cases.

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13. FINANCIAL RISK MANAGEMENT AND POLICIES

Market risk

Foreign currency risk

| | 30 June 2021 | | | | 31 December 2020 | | | |
|--|---------------------|--------------------|------------------|-----------------|---------------------|--------------------|------------------|-----------------|
| | Total TL Equivalent | USD | EUR | Other | Total TL Equivalent | USD | EUR | Other |
| 1. Trade receivables | 287.641 | 30.570 | 1.251 | 8.549 | 219.329 | 27.396 | 1.171 | 7.682 |
| 2a. Monetary financial assets (Cash and banks accounts included) | 3.174.667 | 268.628 | 79.530 | 11.920 | 3.888.220 | 345.654 | 148.711 | 11.373 |
| 2b. Non-monetary financial assets | - | - | - | - | - | - | - | - |
| 3. Other | 5.152 | - | 497 | - | 1.069 | - | 119 | - |
| 4. Current assets (1+2+3) | 3.467.460 | 299.198 | 81.278 | 20.469 | 4.108.618 | 373.050 | 150.001 | 19.055 |
| 5. Trade receivables | - | - | - | - | - | - | - | - |
| 6a. Monetary financial assets | - | - | - | - | - | - | - | - |
| 6b. Non-monetary financial assets | - | - | - | - | - | - | - | - |
| 7. Other | - | - | - | - | - | - | - | - |
| 8. Non-current assets (5+6+7) | - | - | - | - | - | - | - | - |
| 9. Total assets (4+8) | 3.467.460 | 299.198 | 81.278 | 20.469 | 4.108.618 | 373.050 | 150.001 | 19.055 |
| 10. Trade payables | 1.827.664 | 112.732 | 78.719 | 30.418 | 3.076.131 | 258.060 | 127.459 | 33.696 |
| 11. Financial liabilities | 2.246.284 | 136.980 | 101.437 | 2.496 | 2.976.888 | 274.313 | 101.153 | 52.111 |
| 12a. Monetary other liabilities | - | - | - | - | - | - | - | - |
| 12b. Non-monetary other liabilities | - | - | - | - | - | - | - | - |
| 13. Short-term liabilities (10+11+12) | 4.073.948 | 249.712 | 180.156 | 32.914 | 6.053.019 | 532.373 | 228.612 | 85.807 |
| 14. Trade payables | - | - | - | - | - | - | - | - |
| 15. Financial liabilities | 17.288.614 | 1.606.252 | 318.634 | 3.385 | 14.138.721 | 1.503.858 | 343.623 | 4.329 |
| 16a. Monetary other liabilities | - | - | - | - | - | - | - | - |
| 16b. Non-monetary other liabilities | - | - | - | - | - | - | - | - |
| 17. Long-term liabilities (14+15+16) | 17.288.614 | 1.606.252 | 318.634 | 3.385 | 14.138.721 | 1.503.858 | 343.623 | 4.329 |
| 18. Total liabilities (13+17) | 21.362.562 | 1.855.964 | 498.790 | 36.299 | 20.191.740 | 2.036.231 | 572.235 | 90.136 |
| 19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b) | 17.161.200 | 1.574.265 | 333.534 | - | 16.219.562 | 1.730.010 | 390.815 | - |
| 19a. Total asset amount hedged | - | - | - | - | - | - | - | - |
| 19b. Total liability amount hedged | (17.161.200) | (1.574.265) | (333.534) | - | (16.219.562) | (1.730.010) | (390.815) | - |
| 20. Loans defined as hedging instruments (*) | 1.146.086 | - | 110.578 | - | 978.543 | - | 108.632 | - |
| 21. Net foreign currency asset/(liability) position (9-18+19+20) | 412.184 | 17.499 | 26.600 | (15.830) | 1.114.983 | 66.829 | 77.213 | (71.081) |
| 22. Net asset/(liability) position of foreign currency monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a) | (17.900.254) | (1.556.766) | (418.009) | (15.830) | (16.084.191) | (1.663.181) | (422.353) | (71.081) |

(*) The Company utilized a loan amounting to EUR 110.578 in order to hedge its net investment in a foreign operation with a EUR functional currency. Foreign exchange gain and/or loss resulting from the subsidiary's net investment portion of this loan is reclassified to reserve for hedge of net investment in a foreign operation under equity.

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13. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

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

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

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

| 30 June 2021 | Profit/Loss | | Other comprehensive income | |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | Appreciation of foreign currency | Depreciation of foreign currency | Appreciation of foreign currency | Depreciation of foreign currency |
| Appreciation of USD against TL by 10%: | | | | |
| 1- USD net asset/liability | (1.355.195) | 1.355.195 | – | – |
| 2- Hedged portion of USD risk (-) | 1.337.546 | (1.343.375) | (601.925) | 510.963 |
| 3- USD net effect (1+2) | (17.649) | 11.820 | (601.925) | 510.963 |
| Appreciation of EUR against TL by 10%: | | | | |
| 4- EUR net asset/liability | (432.732) | 432.732 | – | – |
| 5- Hedged portion of EUR risk (-) | 451.240 | (477.996) | (31.068) | 51.292 |
| 6- EUR net effect (4+5) | 18.508 | (45.264) | (31.068) | 51.292 |
| Appreciation of other foreign currencies against TL by 10%: | | | | |
| 7- Other foreign currency net asset/liability | (1.583) | 1.583 | – | – |
| 8- Hedged portion of other foreign currency (-) | – | – | – | – |
| 9- Other foreign currency net effect (7+8) | (1.583) | 1.583 | – | – |
| Total (3+6+9) | (724) | (31.861) | (632.993) | 562.255 |
| 31 December 2020 | | | | |
| | Profit/Loss | | Other comprehensive income | |
| | Appreciation of foreign currency | Depreciation of foreign currency | Appreciation of foreign currency | Depreciation of foreign currency |
| Appreciation of USD against TL by 10%: | | | | |
| 1- USD net asset/liability | (1.220.859) | 1.220.859 | – | – |
| 2- Hedged portion of USD risk (-) | 1.081.873 | (951.038) | (323.629) | 127.333 |
| 3- USD net effect (1+2) | (138.986) | 269.821 | (323.629) | 127.333 |
| Appreciation of EUR against TL by 10%: | | | | |
| 4- EUR net asset/liability | (380.345) | 380.345 | – | – |
| 5- Hedged portion of EUR risk (-) | 466.961 | (454.125) | (182.307) | 12.460 |
| 6- EUR net effect (4+5) | 86.616 | (73.780) | (182.307) | 12.460 |
| Appreciation of other foreign currencies against TL by 10%: | | | | |
| 7- Other foreign currency net asset/liability | (7.108) | 7.108 | – | – |
| 8- Hedged portion of other foreign currency (-) | – | – | – | – |
| 9- Other foreign currency net effect (7+8) | (7.108) | 7.108 | – | – |
| Total (3+6+9) | (59.478) | 203.149 | (505.936) | 139.793 |

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13. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

Liquidity risk

Liquidity risk is uncertainty to cover future financial obligations.

The Group’s objective is to maintain a balance between current assets and liabilities through close monitoring of payment plans and cash projections.

The Group manages current and long-term funding by maintaining adequate reserves, banking facilities, reserve borrowing facilities and loan agreements with suppliers through continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

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

| Contract based maturities as at | Total contract based | | | | | |
|---|----------------------|-------------------------------|---------------------------|------------------------|-----------------------|---------------------------|
| | Book value | cash outflow (I+II+III+IV) | Less than 3 months (I) | 3 to 12 months (II) | 1 to 5 years (III) | More than 5 years (IV) |
| Contract based maturities as at 30 June 2021 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Financial liabilities and issued debt instruments | 20.863.877 | 23.369.543 | 1.609.828 | 2.637.184 | 18.589.435 | 533.096 |
| Lease liabilities | 1.387.070 | 1.760.990 | 292.101 | 366.641 | 971.595 | 130.653 |
| Trade payables to unrelated parties | 3.811.391 | 3.811.391 | 3.610.585 | 200.806 | – | – |
| Other (*) | 1.308.130 | 1.308.130 | 1.231.297 | – | 76.833 | – |
| Other payables to related parties | 1.248.357 | 1.248.357 | 624.179 | 624.178 | – | – |
| Derivative financial liabilities | 382.766 | 382.766 | 50.735 | 104.391 | 227.640 | – |
| Contract based maturities as at 31 December 2020 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Financial liabilities and issued debt instruments | 19.896.906 | 22.176.476 | 2.331.279 | 3.933.936 | 15.565.130 | 346.131 |
| Lease liabilities | 1.337.686 | 1.710.422 | 248.187 | 337.490 | 1.001.846 | 122.899 |
| Trade payables to unrelated parties | 5.293.521 | 5.293.521 | 4.844.042 | 449.479 | – | – |
| Other (*) | 1.128.734 | 1.128.734 | 1.085.078 | – | 43.656 | – |
| Derivative financial liabilities | 715.005 | 715.005 | 210.941 | 298.335 | 205.729 | – |

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

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13. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

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

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

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

| | Carrying amount | | Fair value | |
|--|-----------------|------------------|--------------|------------------|
| | 30 June 2021 | 31 December 2020 | 30 June 2021 | 31 December 2020 |
| Financial assets | | | | |
| Cash and cash equivalents | 4.129.035 | 5.007.927 | 4.129.035 | 5.007.927 |
| Trade and other receivables (including related parties) | 7.214.761 | 6.585.291 | 7.214.761 | 6.585.291 |
| Financial investments (*) | 17.956 | 17.956 | (*) | (*) |
| Derivative financial assets | 2.070.161 | 1.240.177 | 2.070.161 | 1.240.177 |
| Financial liabilities | | | | |
| Bank borrowings | 11.909.250 | 12.360.529 | 11.909.250 | 12.360.529 |
| Issued debt instruments | 8.954.627 | 7.536.377 | 9.454.912 | 7.952.273 |
| Financial leasing liabilities | 1.387.070 | 1.337.686 | 1.387.070 | 1.337.686 |
| Trade payables and other liabilities (including related parties) (**) | 6.367.878 | 6.422.255 | 6.367.878 | 6.422.255 |
| Derivative financial liabilities | 382.766 | 715.005 | 382.766 | 715.005 |

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

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

Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

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13. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

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

Fair value hierarchy table as at 30 June 2021 is as follows:

| | Date of Valuation | Total | Fair Value Measurement | | |
|---|-------------------|------------|---|---|---|
| | | | Quoted Prices in Active Markets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Financial assets measured at fair value: | | | | | |
| <u>Derivative Financial Assets:</u> | | | | | |
| Cross currency swaps | 30 June 2021 | 2.027.026 | – | 2.027.026 | – |
| Interest rate swaps | 30 June 2021 | 31.925 | – | 31.925 | – |
| Commodity derivative (copper) | 30 June 2021 | 11.210 | – | 11.210 | – |
| Financial liabilities measured at fair value: | | | | | |
| Issued debt instruments | 30 June 2021 | 4.384.721 | 4.384.721 | – | – |
| <u>Derivative Financial Liabilities:</u> | | | | | |
| Interest rate swaps | 30 June 2021 | 332.489 | – | 332.489 | – |
| Cross currency swaps | 30 June 2021 | 50.277 | – | 50.277 | – |
| Other financial liabilities not measured at fair value | | | | | |
| Bank loans | 30 June 2021 | 11.909.250 | – | 11.909.250 | – |
| Issued debt instruments | 30 June 2021 | 5.070.191 | 5.070.191 | – | – |

Fair value hierarchy table as at 31 December 2020 is as follows:

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

Capital management policies

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

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

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or return capital to shareholders. No changes were made in the objectives, policies or processes during the years 2021 and 2020.

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14. PAID IN CAPITAL, RESERVES AND RETAINED EARNINGS

Company decisions taken by the Board of Directors on 19 March 2021 total gross of TL 1.872.535 is to be distributed as dividends in three equal payments, the decision was approved at the Ordinary General Assembly Meeting held on for the 2020 operating year on 19 March 2021 and the remaining amount TL 1.248.357 of dividend to be distributed after the first payment on 1 April 2021.

15. DERIVATIVE FINANCIAL INSTRUMENTS

Cash flow hedges and derivative financial instruments

Interest rate swaps

As of 30 June 2021 fair value of interest rate derivative transactions amounting to TL 332.489 has been recognized under long term derivative financial liabilities (31 December 2020: TL 347.286 long term derivative financial liabilities). Unrealized gain on these derivatives amounting to TL 16.031 (30 June 2020: TL 197.039 loss) is recognized in other comprehensive income. Unrealized loss on these derivatives' time value amounting to TL 1.234 is recognized in statement of profit or loss.

| Company | Notional Amount (USD) | Trade Date | Terms and Maturity Date | Fair Value Amount as at 30 June 2021 (TL) |
|--------------|-----------------------|------------------------|---|---|
| Türk Telekom | 300.000 | 29 April - 20 May 2014 | Pay fixed rates and receive floating rates between June 2016 - June 2024 | (268.890) |
| 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 | (63.599) |
| | | | | (332.489) |

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

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15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedges and derivative financial instruments (continued)

Cross currency swap transaction

As of 30 June 2021 fair value of participating cross currency swap transactions amounting to TL 1.963.142 has been recognized under short term derivative financial assets (31 December 2020: TL 40.914 short term derivative financial liabilities, TL 1.206.509 short term derivative financial assets).

| Company | Notional Amount (USD) | Trade Date | Amendment Date | Terms | Fair Value Amount as at 30 June 2021 (TL) |
|----------------|------------------------------|-------------------------------------|--------------------------------------|--|--|
| Türk Telekom | 500.000 | 31 March 2016 - 15 December 2017 | 21 October 2020 - 28 January 2021 | Pay TL and receive USD at June 2024 | 724.801 |
| Türk Telekom | 50.000 | 17 December 2020 | | Pay TL and receive USD at February 2025 | 47.730 |
| Türk Telekom | 40.964 | 20 November 2019 | 4 June 2021 | Pay TL and receive USD between January 2020 - October 2022 | 68.530 |
| Türk Telekom | 84.647 | 6 - 8 January 2020 | 17 - 26 November 2020 | Pay TL and receive USD between April 2020 - October 2022 | 138.699 |
| Türk Telekom | 61.930 | 25 October 2018 - 18 July 2019 | 11 June 2021 | Pay TL and receive USD between April 2019 - April 2025 | 86.119 |
| Türk Telekom | 14.031 | 22 - 23 July 2019 | | Pay TL and receive USD between October 2019 - October 2022 | 28.740 |
| Türk Telekom | 52.530 | 27 - 30 September 2019 | | Pay TL and receive USD between March 2020 - September 2025 | 94.865 |
| Türk Telekom | 57.184 | 13 November 2018 - 19 July 2019 | 14 June 2021 | Pay TL and receive USD between September 2019 - September 2025 | 84.546 |
| Türk Telekom | 100.000 | 27 - 28 September 2018 | | Pay TL and receive USD at July 2022 | 199.429 |
| Türk Telekom | 117.000 | 14 November 2018 | 11 - 21 June 2021 | Pay TL and receive USD between October 2019 - April 2024 | 141.314 |
| Türk Telekom | 81.818 (*) | 27 - 28 March 2018 | 12 November - 2 December 2020 | Pay TL and receive EUR between December 2020 - December 2025 | 182.032 |
| Türk Telekom | 24.273 (*) | 27 - 28 June 2019 | | Pay TL and receive EUR between September 2019 - September 2024 | 51.359 |
| Türk Telekom | 39.091 (*) | 4 June - 1 August 2018 | 12 -26 September 2018 | Pay TL and receive EUR between November 2018 - November 2022 | 114.978 |
| | | | | | 1.963.142 |

(*) Nominal amount of indicated operations are Euro.

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15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedges and derivative financial instruments (continued)

Cross currency swap transaction (continued)

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

(*) Nominal amount of indicated operations are Euro.

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

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15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedges and derivative financial instruments (continued)

Copper hedge transactions

As of 30 June 2021 fair value of participating cross currency swap transactions amounting to TL 11.210 has been recognized under short term derivative financial assets.

| Company | Notinal Amount (Tonnes) | Trade Date | Terms and Maturity Date | Fair Value Amount as at 30 June 2021 (TL) |
|----------------|--------------------------------|-------------------|--|--|
| Türk Telekom | 2.800 | 7 - 10 June 2021 | Pay floating price and receive fixed price at January 2022 | 11.210 |
| | | | | 11.210 |

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

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15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate derivative instruments which are not designated as hedge

As of 30 June 2021 fair value of the interest rate swap transactions which are not designated as hedge and amounting to TL 31.925 is recognized under long term derivative financial assets (31 December 2020: TL 32.710 long term derivative financial assets). Unrealized loss on these derivatives amounting to TL 785 recognized in profit or loss.

| Company | Notional Amount (USD) | Trade Date | Terms and Maturity Date | Fair Value Amount as at 30 June 2021 (TL) |
|--------------|-----------------------|------------------------|---|---|
| Türk Telekom | 300.000 | 29 April - 20 May 2014 | Pay the difference between floating rate and 4% if floating rate exceeds 4%, between June 2016 - June 2021, and receive fixed premium (0,44%-0,575%) Pay the difference between floating rate and 6% if floating rate exceeds 6%, between June 2021 - June 2024, and receive fixed premium (0,39%-0,45%) | 31.925 |
| | | | | 31.925 |

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

Cross Currency swaps instruments which are not designated as hedge

As of 30 June 2021, fair value of derivative transactions amounting to TL 50.277 is recognized under short term derivative financial liabilities (31 December 2020: TL 320.186 short term derivative financial liabilities, TL 958 short term derivative financial assets) and TL 63.884 is recognised under short term financial assets.

USD/EUR Cross Currency Swaps Instruments

| Company | Notional Amount (USD) | Trade Date | Terms | Fair Value Amount as at 30 June 2021 (TL) |
|---------------|-----------------------|--------------|---|---|
| TTINT Türkiye | 33.333 | 16 June 2016 | Pay EUR and receive USD between December 2016 and June 2026 | (19.638) |
| | | | | (19.638) |

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

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15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

Futures

| Company | Notional Amount (USD) | Trade Date | Terms | Fair Value Amount as at 30 June 2021 (TL) |
|--------------|-----------------------|-------------------------|--|---|
| Türk Telekom | 150.000 | 12 April - 28 June 2021 | Net TL settlement between July and August 2021 based on the difference between contract price and contract closing price | 15.483 |
| TT Mobil | 68.400 | 12 April 2021 | Net TL settlement at July 2021 based on the difference between contract price and contract closing price | 10.138 |
| | | | | 25.621 |

| Company | Notional Amount (USD) | Trade Date | Terms | Fair Value Amount as at 30 June 2021 (TL) |
|----------|-----------------------|--------------|--|---|
| TT Mobil | 8.000 | 28 June 2021 | Net TL settlement at August 2021 based on the difference between contract price and contract closing price | (425) |
| | | | | (425) |

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

Forwards

| Company | Notional Amount (USD) | Trade Date | Terms | Fair Value Amount as at 30 June 2021 (TL) |
|--------------|-----------------------|---------------------------------|---|---|
| Türk Telekom | 90.718 | 12 November 2020 - 29 June 2021 | Pay TL and receive USD between August and December 2021 | 15.003 |
| Türk Telekom | 88.023 (*) | 12 November 2020 - 14 June 2021 | Pay TL and receive EUR between July and December 2021 | 13.062 |
| | | | | 28.065 |

| Company | Notional Amount (USD) | Trade Date | Terms | Fair Value Amount as at 30 June 2021 (TL) |
|--------------|-----------------------|---------------------------------|--|---|
| Türk Telekom | 30.528 | 4 November 2020 - 16 June 2021 | Pay TL and receive USD between August and September 2021 | (13.538) |
| Türk Telekom | 129.828 (*) | 11 November 2020 - 29 June 2021 | Pay TL and receive EUR between June and September 2021 | (16.676) |
| | | | | (30.214) |

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15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

Forwards (continued)

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

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

(*) Nominal amount of indicated operations are Euro.

USD/EUR Foreign Currency Swap Instruments

| Company | Notional Amount (USD) | Trade Date | Terms | Fair Value Amount as at 30 June 2021 (TL) |
|----------------|------------------------------|-------------------|-------------------------------------|--|
| Türk Telekom | 115.000 | 14 - 29 June 2021 | Pay TL and receive USD at July 2021 | 10.198 |
| | | | | 10.198 |

Hedge of net investment in a foreign operation

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

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16. SUPPLEMENTARY CASH FLOW INFORMATION

Other explanations

“Other outflows of cash” in net cash used in operating activities amounting to TL 38.187 represents change in restricted cash. Restricted cash amounts are disclosed in Note 6. “Other inflows of cash, net” in net cash used in financial activities amounting to TL 46.419 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 111.501 represents change in TFRS Interpretation 12.

17. SUBSEQUENT EVENTS

None.