

**Türk Telekomünikasyon
Anonim Şirketi and Its
Subsidiaries**

**Interim condensed consolidated
financial statements for the period
between
1 January - 30 September 2014**

Convenience translation of a report and financial statements originally issued in Turkish (See Note 2.1))

Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

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(Convenience translation of a report and financial statements originally issued in Turkish (See Note 2.1))

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

**Interim condensed consolidated statement of financial position
as of 30 September 2014
(Currency - in Thousands of Turkish Lira (TL))**

		Current period	Prior period
		Not Audited	Audited
	Notes	30 September 2014	31 December 2013
Assets			
Current assets			
		6.198.285	4.849.061
Cash and cash equivalents	6	2.088.598	1.004.767
Trade receivables			
- Due from related parties	7	58.742	35.927
- Trade receivables from third parties	9	3.268.786	3.091.606
Other receivables			
- Other receivables from third parties		91.353	109.712
Derivative financial instruments	17	25.622	275
Inventories		120.184	87.029
Prepaid expenses		337.492	246.137
Current tax related assets		9.940	3.614
Other current assets	13	165.987	223.247
		6.166.704	4.802.314
Assets held for sale			
	10	31.581	46.747
Non-current assets			
		12.990.234	13.395.454
Financial investments		11.840	11.840
Trade receivables			
- Trade receivables from third parties	9	40.959	34.275
Other receivables			
- Other receivables from third parties		42.200	43.273
Derivative financial instruments	17	27.202	59.786
Investment property	10	13.761	20.230
Property, plant and equipment	10	8.001.849	8.329.666
Intangible assets			
-Goodwill		48.734	48.734
-Other intangible assets	10	4.485.181	4.536.495
Prepaid expenses		44.204	27.792
Deferred tax asset		258.472	264.503
Other non-current assets	13	15.832	18.860
Total assets			
		19.188.519	18.244.515

The accompanying policies and explanatory notes on pages 7 through 43 form an integral part of these interim condensed consolidated financial statements.

(Convenience translation of a report and financial statements originally issued in Turkish (See Note 2.1))

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

**Interim condensed consolidated statement of financial position
as of 30 September 2014
(Currency - in Thousands of Turkish Lira (TL))**

		Current period	Prior period
		Not Audited	Audited
	Notes	30 September 2014	31 December 2013
Liabilities			
Current liabilities		4.574.030	5.052.639
Financial liabilities			
- Bank borrowings	8	158.602	55.129
Short term portion of long term financial liabilities			
- Bank borrowings	8	1.227.556	2.195.902
- Obligations under finance leases		9.529	9.743
- Bills, bonds and notes issued		28.380	--
Other financial liabilities			
- Minority put option liability	14	523.274	--
Trade payables			
- Due to related parties	7	9.143	9.881
- Trade payables to third parties	9	1.372.659	1.737.748
Employee benefit obligations	13	107.276	105.470
Other payables			
- Other payables to third parties		500.545	459.638
Derivative financial instruments	17	2.505	8.670
Deferred revenue		104.908	125.930
Income tax payable		100.934	55.218
Short term provisions			
-Short term provisions for employee benefits	11	99.349	829
-Other short term provisions		282.289	233.938
Other current liabilities	13	47.081	54.543
Non-current liabilities		8.850.730	7.864.267
Financial liabilities			
- Bank borrowings	8	5.245.328	6.055.348
- Obligations under finance leases		10.192	17.386
- Bills, bonds and notes issued	8	2.255.117	--
Other financial liabilities			
- Minority put option liability	14	--	483.946
Other payables			
- Other payables to third parties		7.621	8.047
Derivative financial instruments	17	25.539	15.995
Deferred revenue		261.794	270.913
Long term provisions			
-Provisions for employee termination benefits	12	674.041	585.394
-Long term provisions for employee benefits excluding employee termination benefits	11	68.237	64.378
-Other long-term provisions		7.803	8.105
Deferred tax liability		295.058	354.755
Equity		5.763.759	5.327.609
Total equity attributable to parent			
Paid-in share capital		3.500.000	3.500.000
Inflation adjustments to paid in capital (-)		(239.752)	(239.752)
Other comprehensive income items not to be reclassified to profit or loss			
-Minority put option liability reserve		(303.165)	(232.807)
-Difference arising from the change in shareholding rate in a subsidiary		(858.134)	(858.134)
-Actuarial loss arising from employee benefits		(388.465)	(366.997)
-Share based payment reserve		9.528	9.528
Other comprehensive income items to be reclassified to profit or loss			
-Hedging loss		(77.457)	(23.570)
-Foreign currency translation reserve		48.544	58.105
Restricted reserves allocated from profits		2.122.798	2.049.085
Retained earnings		446.307	129.106
Net profit for the period		1.503.555	1.303.045
Total liabilities and equity		19.188.519	18.244.515

The accompanying policies and explanatory notes on pages 7 through 43 form an integral part of these interim condensed consolidated financial statements.

(Convenience translation of a report and financial statements originally issued in Turkish (See Note 2.1))

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

**Interim condensed consolidated statement of profit or loss
for the period ended 30 September 2014
(Currency - in Thousands of Turkish Lira (TL))**

	Notes	Current Period		Prior Period	
		Not Audited	Not Audited	Reviewed	Reviewed
		1 January -30 September 2014	1 July -30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Sales	5	10.006.407	3.512.077	9.837.850	3.365.123
Cost of sales (-)	5	(5.070.684)	(1.806.088)	(5.077.112)	(1.745.408)
Gross profit		4.935.723	1.705.989	4.760.738	1.619.715
General administrative expenses (-)	5	(1.337.485)	(412.551)	(1.190.023)	(383.527)
Marketing, sales and distribution expenses (-)	5	(1.352.900)	(434.204)	(1.270.553)	(416.905)
Research and development expenses (-)	5	(43.918)	(11.763)	(27.815)	(4.802)
Other operating income	5	232.553	68.973	278.645	89.881
Other operating expense (-)	5	(219.278)	(75.712)	(250.788)	(96.402)
Operating profit		2.214.695	840.732	2.300.204	807.960
Income from investing activities	5	193.528	40.850	124.902	54.584
Expense from investing activities (-)	5	(3.726)	(829)	(5.613)	(2.460)
Operating profit before financial expenses		2.404.497	880.753	2.419.493	860.084
Financial income	5	1.413.281	378.073	300.347	41.158
Financial expense (-)	5	(1.894.445)	(842.272)	(1.366.180)	(591.067)
Profit before tax		1.923.333	416.554	1.353.660	310.175
Tax expense					
- Current tax expense		(484.137)	(103.859)	(293.585)	(85.003)
- Deferred tax income/ (expense)		33.367	(2.367)	(44.218)	4.284
Profit for the year		1.472.563	310.328	1.015.857	229.456
Profit attributable to:					
Non-controlling interest		(30.992)	(8.236)	(27.047)	(6.771)
Attributable to equity holders of the parent		1.503.555	318.564	1.042.904	236.227
Earnings per shares attributable to equity holders of the parent from (in full Kuruş)	4	0,4296	0,0910	0,2980	0,0675
Earnings per diluted shares attributable to equity holders of the parent from (in full Kuruş)	4	0,4296	0,0910	0,2980	0,0675

The accompanying policies and explanatory notes on pages 7 through 43 form an integral part of these interim condensed consolidated financial statements.

(Convenience translation of a report and financial statements originally issued in Turkish (See Note 2.1))

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

**Interim condensed consolidated statement of other comprehensive income
for the period ended 30 September 2014
(Currency - in Thousands of Turkish Lira (TL))**

	Current Period		Prior Period	
	Not Audited	Not Audited	Reviewed	Reviewed
	1 January -30 September 2014	1 July -30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Notes				
Profit for the period	1.472.563	310.328	1.015.857	229.456
Other comprehensive income items not to be reclassified to profit or loss:				
Actuarial loss from employee benefits 12	(26.788)	(1.481)	(34.256)	(3.778)
Tax effect of actuarial loss from employee benefits	5.283	296	6.916	755
Other comprehensive income items to be reclassified to profit or loss:				
Change in foreign currency translation differences	(9.561)	(5.861)	32.739	22.793
Fair value loss on hedging instruments reclassified to profit or loss 17	--	--	2.203	551
Cash flow hedges-effective portion of changes in fair value 17	(70.754)	2.848	69.760	(958)
Tax effect of cash flow hedges-effective portion of changes in fair value 17	14.151	(570)	(14.007)	173
Hedge of net investment in a foreign operation 17	3.395	6.841	(37.277)	(21.502)
Tax effect of hedge of net investment in a foreign operation 17	(679)	(1.367)	7.455	4.300
Other comprehensive income, net of tax	(84.953)	706	33.533	2.334
Total comprehensive income	1.387.610	311.034	1.049.390	231.790
Appropriation of total comprehensive income:				
Non-controlling interest	(31.029)	(8.236)	(26.821)	(6.725)
Attributable to equity holders of the parent	1.418.639	319.270	1.076.211	238.515

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(Convenience translation of a report and financial statements originally issued in Turkish (See Note 2.1))

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

**Interim condensed consolidated statement of changes in equity
for the period ended 30 September 2014
(Currency - in Thousands of Turkish Lira (TL))**

			Other comprehensive income items not to be reclassified to profit or loss in subsequent periods				Other comprehensive income items to be reclassified to profit or loss in subsequent periods				Retained earnings		Total equity attributable to parent	Non-controlling interest	Total equity
	Paid-in share capital	Inflation adjustment to paid in capital	Minority put option liability reserve	Share based payment reserve	Difference arising from the change in shareholding rate in a subsidiary	Actuarial gain/loss arising from employee benefits	Reserve for hedge of net investment in a foreign operation	Cash flow hedge reserve	Foreign currency translation reserve	Restricted reserves allocated from profits	Retained earnings	Net profit for the period			
Balance at 1 January 2013	3.500.000	(239.752)	(180.715)	9.528	(858.134)	(340.679)	(29.649)	(28.274)	31.353	1.825.257	129.106	2.637.107	6.455.148	--	6.455.148
Net profit for the period	--	--	--	--	--	--	--	--	--	--	--	1.042.904	1.042.904	(27.047)	1.015.857
Other comprehensive income/(loss)	--	--	--	--	--	(27.373)	(29.821)	57.762	32.739	--	--	--	33.307	226	33.533
Total comprehensive income	--	--	--	--	--	(27.373)	(29.821)	57.762	32.739	--	--	1.042.904	1.076.211	(26.821)	1.049.390
Transfer to retained earnings	--	--	--	--	--	--	--	--	--	223.828	--	(223.828)	--	--	--
Non-controlling interest before reclassification to minority put option liability	--	--	--	--	--	--	--	--	--	--	--	--	--	286.845	286.845
Minority put option liability (Note 14)	--	--	(47.440)	--	--	--	--	--	--	--	--	--	(47.440)	(260.024)	(307.464)
Dividend paid	--	--	--	--	--	--	--	--	--	--	--	(2.413.279)	(2.413.279)	--	(2.413.279)
Balance at 30 September 2013	3.500.000	(239.752)	(228.155)	9.528	(858.134)	(368.052)	(59.470)	29.488	64.092	2.049.085	129.106	1.042.904	5.070.640	--	5.070.640
Balance at 1 January 2014	3.500.000	(239.752)	(232.807)	9.528	(858.134)	(366.997)	(70.390)	46.820	58.105	2.049.085	129.106	1.303.045	5.327.609	--	5.327.609
Net profit for the period	--	--	--	--	--	--	--	--	--	--	--	1.503.555	1.503.555	(30.992)	1.472.563
Other comprehensive income/(loss)	--	--	--	--	--	(21.468)	2.716	(56.603)	(9.561)	--	--	--	(84.916)	(37)	(84.953)
Total comprehensive income	--	--	--	--	--	(21.468)	2.716	(56.603)	(9.561)	--	--	1.503.555	1.418.639	(31.029)	1.387.610
Transfer to retained earnings	--	--	--	--	--	--	--	--	--	73.713	317.201	(390.914)	--	--	--
Non-controlling interest before reclassification to minority put option liability	--	--	--	--	--	--	--	--	--	--	--	--	--	251.138	251.138
Minority put option liability (Note 14)	--	--	(70.358)	--	--	--	--	--	--	--	--	--	(70.358)	(220.109)	(290.467)
Dividend paid	--	--	--	--	--	--	--	--	--	--	--	(912.131)	(912.131)	--	(912.131)
Balance at 30 September 2014	3.500.000	(239.752)	(303.165)	9.528	(858.134)	(388.465)	(67.674)	(9.783)	48.544	2.122.798	446.307	1.503.555	5.763.757	--	5.763.759

The accompanying policies and explanatory notes on pages 7 through 43 form an integral part of these interim condensed consolidated financial statements.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**Interim condensed consolidated statement of cash flows
for the period ended 30 September 2014
(Currency - in Thousands of Turkish Lira (TL))**

		Current Period Not Audited	Prior Period Reviewed
	Notes	1 January -30 September 2014	1 January - 30 September 2013
Net Profit		1.472.563	1.015.857
Adjustments to reconcile net profit to cash provided by operating activities:			
Depreciation and amortisation expenses		1.439.278	1.321.651
Tax expense		450.770	337.803
Gain on sale of property, plant and equipment		(189.802)	(119.289)
IFRIC 12 construction (revenue) / cost, net		(20.621)	(38.081)
Interest income and (expense), net		80.353	69.666
Unrealised foreign currency exchange differences		362.679	863.217
Reversal of doubtful receivables		(121.922)	(140.920)
Allowance for doubtful receivables		245.523	268.948
Provision for employee termination benefits		79.912	75.418
Change in litigation provision, net		68.926	28.388
Change in unused vacation provision		7.094	(24.039)
Loss/(gain) on derivative financial instruments, net		(80.246)	11.957
Obsolete inventory provision / (reversal), net		(3.296)	(74)
Other provisions		530	(2.191)
Operating profit before working capital changes		3.791.741	3.668.311
Net working capital changes in:			
Adjustments to trade receivables		(334.674)	(656.759)
Other current assets		(1.788)	(9.248)
Adjustments to (increase)/decrease in inventories		(29.859)	37.778
Adjustments to increase/(decrease) in trade payables		(379.990)	64.451
Other non-current assets		(12.321)	4.064
Other current liabilities and provisions		116.475	(50.017)
Other non-current liabilities		(3.630)	(30.742)
Restricted cash		29.795	57.989
Cash flow from operating activities			
Payments of employee termination benefits	12	(17.788)	(247.211)
Payments of provisions		(23.638)	(21.129)
Payments of tax		(449.040)	(333.675)
Interest received		110.698	111.167
Net cash provided by operating activities		2.795.981	2.594.979
Investing activities			
Proceeds from sale of property, plant, equipment and intangible assets		234.054	146.259
Purchases of property, plant, equipment and intangible assets		(1.069.266)	(1.404.940)
Net cash used in investing activities		(835.212)	(1.258.681)
Cash flows from financing activities			
Proceeds from bank borrowings	8	2.278.444	6.859.200
Repayment of bank borrowings	8	(4.261.416)	(5.363.342)
Bills, bonds and notes issued	8	2.130.293	--
Repayment of obligations under finance leases	8	(7.265)	(5.474)
Interest paid		(168.933)	(180.762)
Dividends paid	18	(912.131)	(2.413.279)
Derivative instrument payments		20.107	(11.667)
Interest received		81.271	36.371
Net cash used in financing activities		(839.630)	(1.078.953)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1.121.139	257.345
FOREIGN EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		(7.512)	19.895
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		697.377	447.012
Cash and cash equivalents at the end of the period	6	1.811.004	724.252

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Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the interim condensed consolidated financial statements for the period ended 30 September 2014

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

1. Corporate organization and activities

Türk Telekomünikasyon Anonim Şirketi (“Türk Telekom” or “the Company”) is a joint stock company incorporated in Turkey. The Company has its history in the Posthane-i Amirane (Department of Post Office) which was originally established as a Ministry on 23 October 1840. On 4 February 1924, under the Telephone and Telegraph Law No. 406, the authorization to install and operate telephone networks throughout Turkey was given to the General Directorate of Post, Telegraph and Telephone (“PTT”). The Company was founded on 24 April 1995 as a result of the split of the telecommunication and postal services formerly carried out by the PTT and all of the personnel, assets and obligations of the PTT pertaining to telecommunication services were transferred to the Company, the shares of which were fully owned by the Prime Ministry Under secretariat of Treasury (“the Treasury”).

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

Out of TL 3.500.000 nominal amount of capital, 15% of the Company’s shares owned by the Treasury corresponding to a nominal amount of TL 525.000 has 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 İstanbul Stock Exchange with the name of TTKOM.

Oger Telecom Limited (Oger Telecom) owns 99% of the shares of OTAŞ, which in turn owns 55% of the Company. Oger Telecom is an entity incorporated in August 2005 as a limited liability company under the laws of the Dubai International Financial Centre.

As at 30 September 2014 and 31 December 2013, the ultimate parent and controlling party of the Company is Saudi Oger Ltd (“Saudi Oger”), because of its controlling ownership in Oger Telecom.

A concession agreement (“the Concession Agreement”) was signed by the Company and Turkish Telecommunication Authority (now named the Information and Communication Technologies Authority (“ICTA”) as at 14 November 2005. The Concession Agreement covers the provision of all kinds of telecommunication services, establishment of necessary telecommunications facilities and the use of such facilities by other licensed operators and the marketing and supply of telecommunication services for 25 years starting from 28 February 2001. As The Concession Agreement will terminate on 28 February 2026 and the Company will transfer its entire infrastructure that has been used to provide telecommunication services to ICTA in working condition.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**Notes to the interim condensed consolidated financial statements for the period ended 30 September 2014 (continued)**

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

1. Corporate organization and activities (continued)

The details of the Company's subsidiaries as at 30 September 2014 and 31 December 2013 are as follows:

Name of Subsidiary	Place of incorporation and operation	Principal activity	Functional Currency	Effective ownership of the Company (%)	
				30 September 2014	31 December 2013
TTNet Anonim Şirketi ("TTNet")	Turkey	Internet Service Provider	Turkish Lira	100	100
Avea İletişim Hizmetleri A.Ş. ("Avea")	Turkey	GSM Operator	Turkish Lira	89,99	89,99
Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret Anonim Şirketi ("Argela")	Turkey	Telecommunications solutions	Turkish Lira	100	100
Innova Bilişim Çözümleri Anonim Şirketi ("Innova")	Turkey	Telecommunications solutions	Turkish Lira	100	100
AssisTT Rehberlik ve Müşteri Hizmetleri Anonim Şirketi ("AssisTT")	Turkey	Call centre and customer relations	Turkish Lira	100	100
Sebit Eğitim ve Bilgi Teknolojileri A.Ş. ("Sebit")	Turkey	Web based learning	Turkish Lira	100	100
Argela - USA. Inc.	USA	Telecommunication Solutions	U.S. Dollar	100	100
Sebit LLC	USA	Web Based Learning	U.S. Dollar	100	100
IVEA Software Solutions FZ-LLC ("IVEA") (*)	UAE	Telecommunication Solutions	U.S. Dollar	-	100
TT International Holding B.V. ("TT International")(*)	Netherlands	Holding company	Euro	100	100
TT Global Services B.V. ("TT Global")(*)	Netherlands	Service company	Euro	100	100
Türk Telekom International AT AG ("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 BG EOOD ("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
Türk Telekom International 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
MTCTR Memorex Telekomünikasyon Sanayi ve Ticaret Limited Şirketi ("TTINT Turkey")(*)	Turkey	Internet/data services, infrastructure and wholesale Voice services provider	Turkish Lira	100	100
Türk Telekom International UA TOV. ("TTINT Ukraine")(*)	Ukraine	Internet/data services, infrastructure and wholesale Voice services provider	Euro	100	100
Türk Telekom International S.R.L. ("TTINT Italia")(*)	Italy	Internet/data services, infrastructure and wholesale Voice services provider	Euro	100	100
Türk Telekom International DOOEL ("TTINT Macedonia")(*)	Macedonia	Internet/data services, infrastructure and wholesale Voice services provider	Euro	100	100
Türk Telekom International RU O.O.O ("TTINT Russia")(*)	Russia	Internet/data services, infrastructure and wholesale Voice services provider	Euro	100	100
Türk Telekomünikasyon Euro GmbH. ("TT Euro")(*)	Germany	Mobil service marketing	Euro	100	100
Türk Telekom International D.O.O. ("TTINT Croatia")(*)	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	HK Dollar	100	-
Net Ekran TV ve Medya Hiz. A.Ş. ("Net Ekran")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
TT Euro Belgium S.A. (*)	Belgium	Mobile service marketing	Euro	100	100
Flexus Mobil Finans ve Dağıtım ("Fleksus")	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	-
Net Ekran2 TV ve Medya Hiz. A.Ş. ("Net Ekran2")	Turkey	Television and radio broadcasting	Turkish Lira	100	-
Net Ekran3 TV ve Medya Hiz. A.Ş. ("Net Ekran3")	Turkey	Television and radio broadcasting	Turkish Lira	100	-
Net Ekran4 TV ve Medya Hiz. A.Ş. ("Net Ekran4")	Turkey	Television and radio broadcasting	Turkish Lira	100	-
Net Ekran5 TV ve Medya Hiz. A.Ş. ("Net Ekran5")	Turkey	Television and radio broadcasting	Turkish Lira	100	-
Net Ekran6 TV ve Medya Hiz. A.Ş. ("Net Ekran6")	Turkey	Television and radio broadcasting	Turkish Lira	100	-
11818 Rehberlik ve Müşteri Hizmetleri A.Ş. ("11818")	Turkey	Call centre and customer relations	Turkish Lira	100	-

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

(*) Ivea's operations was ended and the company was closed on 4 June 2014.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the interim condensed consolidated financial statements for the period ended 30 September 2014 (continued)

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

1. Corporate organization and activities (continued)

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

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

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

The average number of personnel subject to collective agreement as at 30 September 2014 is 13.299 (31 December 2013 – 13.515) and the average number of personnel not subject to collective agreement as at 30 September 2014 is 21.070 (31 December 2013 – 21.286). The number of personnel as at 30 September 2014 and 31 December 2013 were 33.910 and 34.478, respectively.

Interim condensed consolidated financial statements were approved by the Board of Directors of the Company and authorized for issue on 22 October 2014. The general assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

2. Basis of presentation financial statements

The main accounting policies used for preparing the Group’s interim condensed consolidated financial statements are stated below:

2.1 Basis of presentation of the interim condensed consolidated financial statements

The interim condensed consolidated financial statements and explanatory notes have been prepared in accordance with Turkish Accounting Standards (“TAS”) promulgated by the Public Oversight Accounting and Auditing Standards Authority (“POA”) as set out in the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) of the Capital Markets Board of Turkey (“CMB”), which is published on 13 June 2013 at the Official Gazette numbered 28676.

For the period ended 30 September 2014, the Group prepared its interim condensed consolidated financial statements in accordance with the Turkish Accounting Standard No.34 “Interim Financial Reporting”. Interim condensed financial statements of the Group do not include all the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Group’s annual financial statements as of December 31, 2013.

CMB, with its resolution dated 17 March 2005, announced that all publicly traded entities operates in Turkey was not obliged to apply inflationary accounting as from 1 January 2005. The interim condensed consolidated financial statements have been prepared in accordance within the resolution.

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 Turkish Lira (“TL”) in accordance with Turkish Commercial Code and Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance.

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

In order to prepare financial statements in accordance with IFRSs, 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 judgements and critical accounting estimates used in interim condensed consolidated financial statements as of 30 September 2014.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the interim condensed consolidated financial statements for the period ended 30 September 2014 (continued)

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

2. Basis of presentation financial statements (continued)

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

Additional paragraph for convenience translation to English:

As at 30 September 2014, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying interim condensed consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting and also for certain reclassification requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

Classifications applied to financial statements as of 30 September 2013 and 1 July - 30 September 2013

The reclassifications that are made at the Group's consolidated financials as at 30 September 2013 and 31 December 2013 are as:

Income from reversal of doubtful receivables amounting to TL 1.590 for the period ended 30 September 2013 (1 July 2013 - 30 September 2013 - TL 609) which was previously presented under "Other operating income" have been reclassified under general administrative expenses in order to conform to presentation of the current year financial statements.

Restricted cash which includes advances received from the Turkish Armed Forces for Turkish Armed Forces Integrated Communication Systems ("TAFICS") projects amounting to TL 58.944 and TL 74.315 as of 31 December 2013 and as of 30 September 2013, respectively which was previously presented under "Cash and cash equivalents" have been reclassified under other current assets in order to conform to presentation of the current year financial statements.

As of 30 September 2014, management decided that, TT Euro operates as an agent, not a principal and as a result of that, sales and cost of sales of TT Euro amounted to TL 56.550 are netted in the period ended 30 September 2013 (1 July - 30 September 2013 - TL 27.370) in order to disclose comparative financial statement with 30 September 2014.

Interest income from deposits amounting to TL 36.371 of total interest income amounting to TL 147.538, which was previously presented as interests received from investing activities in the cash flow statement for the period end 30 September 2013, is classified to net cash used in financing activities; interest received from customers amounting TL 111.167, however, is classified to net cash from operating activities.

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 30 September 2014 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2014. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the interim condensed consolidated financial statements for the period ended 30 September 2014 (continued)

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

2. Basis of presentation financial statements (continued)

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

The new standards, amendments and interpretations which are effective as at 1 January 2014 are as follows:

Investment Entities (Amendments to TFRS 10, TFRS 12 and TAS 27)

TFRS 10 is amended for entities that meet the definition of an investment entity to qualify for the consolidation exception. According to the amendment, financial assets of an investment entity should be measured at fair value under TFRS 9 Financial Instruments, or to the extent possible under TMS 39 Financial Instruments: Recognition and Measurement. The amendments had no significant impact on the financial position or performance of the Group.

TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments had no significant impact on the financial position or performance of the Group.

TAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial assets (Amendments)

As a consequential amendment to TFRS 13 Fair Value Measurement, some of the disclosure requirements in IAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets are modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. The amendment has affected disclosure principles of the recoverable amounts for non-financial assets. The amendments had no significant impact on the financial position or performance of the Group.

TAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)

Amendments to TAS 39 Financial Instruments: Recognition and Measurement provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. The amendments had no significant impact on the financial position or performance of the Group.

TFRIC Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The Interpretation had no significant impact on the financial position or performance of the Group.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the interim condensed consolidated financial statements for the period ended 30 September 2014 (continued)

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

2. Basis of presentation financial statements (continued)

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

The new standards, amendments and interpretations which are effective as at 1 January 2014 are as follows (continued):

Defined Benefit Plans: Employee Contributions (Amendments to TAS 19)

The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. When contributions are eligible for the practical expedient, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered. The amendment is effective for annual periods beginning on or after 1 July 2014. Early application is permitted. The amendments had no significant impact on the financial position or performance of the Group.

Improvements to TFRSs

Annual Improvements to existing TFRSs issued are presented below. Other than the amendments that only affect the standards' Basis for Conclusions, the changes are effective as of 1 July 2014.

Annual Improvements to TFRSs – 2010–2012 Cycle

TFRS 2 Share-based Payment:

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendments had no significant impact on the financial position or performance of the Group.

TFRS 3 Business Combinations

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of TFRS 9 Financial Instruments. The amendments had no significant impact on the financial position or performance of the Group.

TFRS 8 Operating Segments

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments had no significant impact on the financial position or performance of the Group.

TFRS 13 Fair Value Measurement Decision Requirements

As clarified in the Basis for Conclusions, short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendments had no significant impact on the financial position or performance of the Group.

TAS 16 Property, Plant and Equipment and TAS 38 Intangible Assets

The amendment to TAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows: i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the carrying amount equals to the market value. The amendments had no significant impact on the financial position or performance of the Group.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the interim condensed consolidated financial statements for the period ended 30 September 2014 (continued)

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

2. Basis of presentation financial statements (continued)

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

Improvements to TFRSs (continue)

Annual Improvements to TFRSs – 2010–2012 Cycle (continued)

TAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendments had no significant impact on the financial position or performance of the Group.

Annual Improvements to TFRSs – 2011–2013 Cycle

TFRS 1 First Time Adoption of International Financial Reporting Standards

The amendment clarifies that in its first TFRS financial statements, a first-time adopter is permitted but not required to apply a new or revised TFRS that is not yet mandatory but is available for early application.

TFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of TFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

TFRS 13 Fair Value Measurement

The portfolio exception in TFRS 13 can be applied to the contracts within the context of TAS 39, not just financial assets and financial liabilities. The amendment is effective prospectively.

TAS 40 Investment Property

The amendment clarifies the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

These amendments did not have an impact on the financial position or performance of the Group.

Standards issued but not yet effective and not early adopted

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

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the interim condensed consolidated financial statements for the period ended 30 September 2014 (continued)

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

2. Basis of presentation financial statements (continued)

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

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

Amendments to TAS 16 and TAS 38 – Clarification of acceptable methods of depreciation and amortisation

The amendments to TAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to TAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate.

The amendments are effective for annual periods beginning on after 1 January 2016, and are to be applied prospectively. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

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

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but 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 to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 9 Financial Instruments – Hedge Accounting and amendments to TFRS 9, TFRS 7 and TAS 39 -IFRS 9 (2013)

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. Further, the new standard removes the 1 January 2015 effective date of IFRS 9. The new version of IFRS 9 issued after IFRS 9 (2013) introduces the mandatory effective date of 1 January 2018 for IFRS 9, with early adoption permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 9 Financial Instruments (2014)

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from TMS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 14 Regulatory Deferral Accounts

IASB has started a comprehensive project for Rate Regulated Activities in 2012. As part of the project, IASB published an interim standard to ease the transition to IFRS for rate regulated entities. The standard permits first time adopters of IFRS to continue using previous GAAP to account for regulatory deferral account balances. The interim standard is effective for financial reporting periods beginning on or after 1 January 2016, although early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the interim condensed consolidated financial statements for the period ended 30 September 2014 (continued)

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

2. Basis of presentation financial statements (continued)

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

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

IFRS 15 Revenue from Contracts with customers

The standard is the result of a joint project and IASB and FASB which replaces existing IFRS and US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted under IFRS. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

Amendments to TFRS 11 – Accounting for acquisition of interests in joint operations

The amendments clarify whether TFRS 3 Business Combinations applies when an entity acquires an interest in a joint operation that meets that standard's definition of a business. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

Sale or contribution of assets between an investor and its associate or joint venture (Amendments to TFRS 10 and TAS 28)

The amendments address the conflict between the existing guidance on consolidation and equity accounting. The amendments require the full gain to be recognized when the assets transferred meet the definition of a "business" under TFRS 3 *Business Combinations*. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

Equity method in separate financial statements (Amendments to TAS 27)

The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

Resolutions promulgated by the Public Oversight Authority

In addition to those mentioned above, the POA has promulgated the following resolutions regarding the implementation of Turkish Accounting Standards. "The financial statement examples and user guide" became immediately effective at its date of issuance; however, the other resolutions shall become effective for the annual reporting periods beginning after 31 December 2012.

2013-1 Financial Statement Examples and User Guide

The POA promulgated "financial statement examples and user guide" on May 20, 2013 in order to ensure the uniformity of financial statements and facilitate their audit. The financial statement examples within this framework were published to serve as an example to financial statements to be prepared by companies obliged to apply Turkish Accounting Standards, excluding financial institutions established to engage in banking, insurance, private pensions or capital market. The Group has made the classification stated in Note 2.2 in order to comply with the requirements of this regulation.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the interim condensed consolidated financial statements for the period ended 30 September 2014 (continued)

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

2. Basis of presentation financial statements (continued)

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

Resolutions promulgated by the Public Oversight Authority

2013-2 Accounting of Combinations under Common Control

In accordance with the resolution it has been decided that i) combination of entities under common control should be recognized using the pooling of interest method, ii) and thus, goodwill should not be included in the financial statements and iii) while using the pooling of interest method, the financial statements should be prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurs and should be presented comparatively from the beginning of the reporting period in which the common control occurred. This resolution did not have any impact on the consolidated financial statements of the Group.

2013-3 Accounting of Redeemed Share Certificates

Clarification has been provided on the conditions and circumstances when the redeemed share certificates shall be recognized as a financial liability or equity based financial instruments. This resolution did not have any impact on the consolidated financial statements of the Group.

2013-4 Accounting of Cross Shareholding Investments

If a subsidiary of an entity holds shares of the entity then this is defined as cross shareholding investment. Accounting of this cross investment is assessed based on the type of the investment and different recognition principles adopted accordingly. With this resolution, this topic has been assessed under three main headings below and the recognition principles for each one of them has been determined.

- i) the subsidiary holding the equity based financial instruments of the parent,
- ii) the associates or joint ventures holding the equity based financial instruments of the parent
- iii) the parent's equity based financial instruments are held by an entity, which is accounted as an investment within the scope of TAS 39 and TFRS 9 by the parent.

This resolution did not have any impact on the consolidated financial statements of the Group.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the interim condensed consolidated financial statements for the period ended 30 September 2014 (continued)

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

2. Basis of presentation financial statements (continued)

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

2.2 Basis of consolidation

As at 30 September 2014, the condensed consolidated financial statements include the financial results of Türk Telekom and its subsidiaries listed at Note 1. Control is normally evidenced when the Company controls an investee if and only if the company has all the following; a) power over the investee b) exposure, or rights, to variable returns from its involvement with the investee and c) the ability to use its power over the investee to affect the amount of company's returns. The results of subsidiaries acquired during the year are included in the consolidated statements of income from the effective date of acquisition as appropriate.

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

All intra-group transactions and balances including intra-group unrealized profits and losses are eliminated.

Non-controlling interest in the net assets of consolidated subsidiaries is identified separately from the Group's equity therein. Non-controlling interest consists of the amount of those interests at the date of the original acquisition and the minority's share of changes in equity since the date of the acquisition.

Losses within a subsidiary are attributed to non-controlling interest even if that result is in deficit balance.

Changes in shareholding rate that does not change control power of the Company are accounted under "Differences arising from the change in shareholding rate in a subsidiary" account.

On 15 September 2006, the Company, Türkiye İş Bankası Anonim Şirketi. (İş Bank) and the companies controlled by İş Bank (altogether will be referred as İş Bank Group) signed an "Amendment Agreement" to the "Shareholder Agreement" and the "IPO and Put Option Agreement" originally dated 15 February 2004. In accordance with the Amendment Agreement, the Company has granted a put option to İş Bank Group, the minority shareholder in Avea, on the shares owned by İş Bank Group. In order to reflect the minority put option liability in the consolidated financial statements, the non-controlling interest is reclassified as minority put option liability as "short term liabilities" after appropriation to the non-controlling interest of its share of recognized income and expense for the period. The value of the non-controlling interest before the fair value calculation and the fair value amount is classified as 'minority put option liability reserve' based on the Group accounting principles applied for the acquisition of non-controlling shares (Note 14).

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the interim condensed consolidated financial statements for the period ended 30 September 2014 (continued)

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

3. Seasonal changes in the operations

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

4. Earnings per share

	1 January - 30 September 2014	1 July -30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
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 year attributable to equity holders of the Company	1.503.555	318.564	1.042.904	236.227
Basic and earnings per share (in full kuruş)	0,4296	0,0910	0,2980	0,0675

5. Segment reporting

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

(Convenience translation of a report and financial statements originally issued in Turkish (See Note 2.1))

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

**Notes to the interim condensed consolidated financial statements
for the period ended 30 September 2014 (continued)**

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

5. Segment reporting (continued)

	Fixed line		Mobile		Intra-group eliminations		Consolidated	
	1 January - 30 September 2014	1 January - 30 September 2013	1 January - 30 September 2014	1 January - 30 September 2013	1 January - 30 September 2014	1 January - 30 September 2013	1 January - 30 September 2014	1 January - 30 September 2013
Revenue								
Domestic PSTN	2.293.667	2.571.320	-	-	-	-	2.293.667	2.571.320
ADSL	2.716.037	2.504.334	-	-	-	-	2.716.037	2.504.334
GSM	-	-	3.156.917	2.894.654	-	-	3.156.917	2.894.654
IFRIC12 revenue	179.248	331.014	-	-	-	-	179.248	331.014
Data service and leased line revenue	858.327	763.170	-	-	-	-	858.327	763.170
International revenue	396.066	360.463	-	-	-	-	396.066	360.463
Domestic interconnection revenue	277.244	262.858	-	-	-	-	277.244	262.858
Rental income from GSM operators	61.549	61.764	-	-	-	-	61.549	61.764
Other	408.863	412.025	-	-	-	-	408.863	412.025
Eliminations	-	-	-	-	(341.511)	(323.752)	(341.511)	(323.752)
Total revenue	7.191.001	7.266.948	3.156.917	2.894.654	(341.511)	(323.752)	10.006.407	9.837.850
Cost of sales and operating expenses (excluding depreciation and amortization)	(4.022.095)	(4.094.818)	(2.683.270)	(2.474.896)	339.656	325.862	(6.365.709)	(6.243.852)
Other income/(expense) and income/(expense) from investing activities	197.124	148.127	8.554	(333)	(2.601)	(648)	203.077	147.146
Depreciation and amortization	(850.970)	(791.501)	(587.921)	(531.617)	(387)	1.467	(1.439.278)	(1.321.651)
EBITDA	3.343.826	3.295.006	475.649	411.498	(4.457)	1.465	3.815.018	3.707.969
Doubtful receivable provision expense	(63.151)	(67.819)	(60.450)	(60.209)	-	-	(123.601)	(128.028)
Capital expenditure (*)	685.798	936.318	400.365	430.236	2.152	3.955	1.088.315	1.370.509
Contribution to the consolidated revenue (**)	6.923.214	7.026.182	3.083.193	2.811.668	-	-	10.006.407	9.837.850
Contribution to the consolidated EBITDA (***)	3.165.628	3.163.624	649.390	544.345	-	-	3.815.018	3.707.969

(Convenience translation of a report and financial statements originally issued in Turkish (See Note 2.1))

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the interim condensed consolidated financial statements

for the period ended 30 September 2014 (continued)

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

5. Segment reporting (continued)

	Fixed line		Mobile		Intra-group eliminations		Consolidated	
	1 July -30 September 2014	1 July - 30 September 2013	1 July -30 September 2014	1 July - 30 September 2013	1 July -30 September 2014	1 July - 30 September 2013	1 July -30 September 2014	1 July - 30 September 2013
Revenue								
Domestic PSTN	755.258	838.726	-	-	-	-	755.258	838.726
ADSL	921.981	836.110	-	-	-	-	921.981	836.110
GSM	-	-	1.143.942	972.606	-	-	1.143.942	972.606
IFRIC12 revenue	131.106	158.049	-	-	-	-	131.106	158.049
Data service and leased line revenue	286.571	263.335	-	-	-	-	286.571	263.335
International interconnection revenue	141.189	134.127	-	-	-	-	141.189	134.127
Domestic interconnection revenue	93.781	91.476	-	-	-	-	93.781	91.476
Rental income from GSM operators	20.445	21.291	-	-	-	-	20.445	21.291
Other	138.337	175.419	-	-	-	-	138.337	175.419
Eliminations	-	-	-	-	(120.533)	(126.016)	(120.533)	(126.016)
Total revenue	2.488.668	2.518.533	1.143.942	972.606	(120.533)	(126.016)	3.512.077	3.365.123
Cost of sales and operating expenses (excluding depreciation and amortization)	(1.365.424)	(1.445.057)	(927.275)	(790.602)	121.133	126.047	(2.171.566)	(2.109.612)
Other income / (expense), income/ (expense) from investing activities	33.369	56.010	1.877	(9.564)	(1.964)	(843)	33.282	45.603
Depreciation and amortization	(294.375)	(259.137)	(199.234)	(182.382)	569	489	(493.040)	(441.030)
EBITDA	1.146.078	1.132.483	217.755	172.982	(1.369)	(811)	1.362.464	1.304.654
Doubtful receivable provision expense	(24.229)	(27.513)	(19.121)	(21.381)	-	-	(43.350)	(48.894)
Capital expenditure (*)	327.622	385.642	184.007	256.746	(137)	2.424	511.492	644.812
Contribution to the consolidated revenue (**)	2.394.117	2.428.151	1.117.960	936.972	-	-	3.512.077	3.365.123
Contribution to the consolidated EBITDA (***)	1.083.720	1.096.783	278.744	207.871	-	-	1.362.464	1.304.654

(*) Capital expenditures do not include TL 20.621 (1 July – 30 September 2013 – TL 15.083, 30 September 2013 – TL 38.081, 1 July – 30 September 2013 – TL 18.183) amounted profit margin which is capitalized on intangible assets that are accounted within the scope of TFRS Interpretation 12.

(**) “Contribution to the consolidated revenue” represents operating segments’ revenues from companies other than those included in the interim condensed consolidated financial statements. Group management still monitors financial performance of the segments based on their separate TFRS 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.

(***) “Contribution to the consolidated EBITDA” represents operating segments’ EBITDA arose from transactions with companies other than those included in the interim condensed consolidated financial statements. Group management still monitors financial performance of the segments based on their separate TFRS 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

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5. Segment reporting (continued)

	Nine months period ended 30 September 2014	Three months period ended 30 September 2014	Nine months period ended 30 September 2013	Three months period ended 30 September 2013
Fixed line segment EBITDA	3.343.826	1.146.078	3.295.006	1.132.483
GSM segment EBITDA	475.649	217.755	411.498	172.982
Inter-segment eliminations	(4.457)	(1.369)	1.465	(811)
Consolidated EBITDA	3.815.018	1.362.464	3.707.969	1.304.654
Foreign exchange gains, interest income, discount income on current accounts presented under other operating income	161.960	49.193	179.812	67.333
Foreign exchange losses, interest expense, discount expense on current accounts presented under other operating expense	(133.203)	(37.863)	(146.637)	(70.873)
Financial income	1.413.281	378.073	300.347	41.158
Financial expenses (-)	(1.894.445)	(842.272)	(1.366.180)	(591.067)
Depreciation, amortisation and impairment	(1.439.278)	(493.040)	(1.321.651)	(441.030)
Consolidated profit before tax	1.923.333	416.554	1.353.660	310.175

30 September 2014	Fixed Line	Mobile	Eliminations	Other unallocated amounts (*)	Consolidated
Total segment assets	16.164.313	5.244.018	(2.219.812)	-	19.188.519
Total segment liabilities	(12.107.803)	(3.014.000)	2.220.317	(523.274)	(13.424.760)
31 December 2013	Fixed Line	Mobile	Eliminations	Other unallocated amounts (*)	Consolidated
Total segment assets	14.788.426	5.422.895	(1.966.806)	-	18.244.515
Total segment liabilities	(11.521.606)	(2.882.688)	1.971.334	(483.946)	(12.916.906)

(*) Includes minority put option liability amounting to TL 523.274 (31 December 2013 – TL 483.946).

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6. Cash and cash equivalents

	30 September 2014	31 December 2013
Cash on hand	745	854
Cash at banks– Demand Deposit	371.038	385.302
Cash at banks– Time Deposit	1.707.304	608.933
Other	9.511	9.678
	2.088.598	1.004.767

As of 30 September 2014, time deposits are all short-term, maturing within one month and denominated in both foreign currencies and TL. The interest rates are between 6,00% -11,02% for TL deposits, between 0,15% -2,35% for US Dollar deposits and between 0,74% - 2,15% for Euro deposits. (31 December 2013 – for TL deposits between 3,75% and 9,75% for TL deposits, for US Dollar deposits between 0,35% and 3,25% and for Euro deposits between 0,75% and 3,25%).

Cash and cash equivalents included in the statement of cash flows are as follows:

	30 September 2014	30 September 2013
Cash and cash equivalents	2.088.598	1.092.223
Less: restricted amounts		
- Collection protocols	(272.407)	(287.356)
- Restricted deposit in relation to bank borrowings	-	(55.283)
- ATM collection	(3.267)	(8.402)
- Other	(1.920)	(16.930)
Unrestricted cash	1.811.004	724.252

As of 30 September 2014, demand deposits amounting to TL 272.407 (30 September 2013 - TL 287.356) is restricted due to collection protocols signed with banks for receipts from the subscribers, under which proceeds are made available to the Group a certain number of days after the cash is collected. As of 30 September 2013, all of restricted deposits in relation to bank borrowings consist of blocked time deposits related to Avea's bank borrowing (30 September 2014 – None). An additional amount of TL 3.267 arising from collections through automated teller machine ("ATM") is not available for use at 30 September 2014 (30 September 2013 - TL 8.402).

As of 30 September 2014, the Group has EUR 100.000 (31 December 2013 – EUR 109.424) and US Dollar 57.826 (31 December 2013 – US Dollar 711.365) amounted credit facility which have been committed banks and not utilized yet, having maturity dates 15 December 2014 and 29 April 2016.

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7. Due from and due to related parties - net

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 30% ownership and the golden share of the Treasury. State controlled entities are defined as related parties but in accordance with the exemption given from the TMS 24 disclosure requirements, state controlled entities are excluded from general reporting requirements.

Details of balances and transactions between the Group and other related parties as at 30 September 2014 and 31 December 2013 are disclosed below:

	30 September 2014	31 December 2013
Due from related parties		
Parent company		
Saudi Telecom Company ("STC") (2)	57.430	34.260
Other related parties		
Oger Telekom Yönetim Hizmetleri Limited Şirketi ("OTYH") (1)	11	189
Cell C Ltd. (1)	-	304
Oger Systems Company Ltd. (1)	1.299	978
Other	2	196
	58.742	35.927
Due to related parties		
Parent company		
STC (2)	2.095	1.656
Oger Telecom Ltd.	68	-
Other related parties		
OTYH (1)	6.975	8.012
Oger Systems Company Ltd. (1)	5	213
	9.143	9.881

(1) a subsidiary of Oger Telecom

(2) shareholder of Oger Telecom

Transactions with shareholders:

During the period ended 30 September 2014, the Company made dividend payment to the Treasury amounting to gross TL 288.966 (30 September 2013 –TL 764.535). The dividend payment to OTAŞ amounts to gross TL 501.672 (30 September 2013 – TL 1.327.304).

Avea is required under the terms of the Avea Concession Agreement, to pay 15% share to the Treasury (the Treasury Share) of its monthly gross revenue. Besides, the Company and its other subsidiaries that are operating in the telecommunications sector, are required to pay universal service fund at 1% of revenues and ICTA share at 0,35% of revenues to the Ministry of Transport, Maritime Affairs and Communications under the law Global Service Act numbered 5369.

As of 30 September 2014, unpaid portion of Treasury Share, universal service fund and ICTA share are recorded under other short term liabilities and these expenses are accounted at cost of sales account.

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7. Due from and due to related parties - net (continued)

Transactions with other related parties:

Postage services are rendered by PTT for the Group. Besides, PTT collects Türk Telekom's and TNet's invoices and in return for these services collection commissions are paid to PTT.

Operational lease payment made to PTT by the Group as part of the lease agreement amounts to TL 51.170 and 1 July – 30 September 2014 TL 17.057 (30 September 2013– TL 46.216, 1 July – 30 September 2013 – TL 15.405).

The Group renders and receives international traffic carriage services and data line rent services to and from STC. Total revenues and expenses incurred in relation to these services amounted to TL 23.240 and TL 514, respectively, as of 30 September 2014 and 6.433 and TL 175, respectively, as of 1 July – 30 September 2014 (30 September 2013 – TL 21.387 revenues and TL 715 expenses, 1 July – 30 September 2013 – TL 4.958 revenues and TL 141 expenses).

Compensation of key management personnel

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

	1 January - 30 September 2014	1 July -30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Short-term benefits	84.111	18.314	52.598	10.038
Long-term defined benefit plans	1.462	493	1.450	160
	85.573	18.807	54.048	10.198

Furthermore, OTMSC charged to the Company a management fee amounting to TL 19.740 for the period ended 30 September 2014 and TL 8.961 for 1 July – 30 September 2014 (30 September 2013 – TL 17.303, 1 July – 30 September 2013 – TL 6.102), based on the contract between OTMSC and the Company. OTMSC's ultimate shareholder is Saudi Oger. Significant portion of this payment represents salaries of key management personnel. The contract has been renewed on 15 April 2012 for an annual charge of USD 12.000 (prior contract value: USD 8.500) for three years.

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8. Financial liabilities– Net**Bank borrowings**

Bank borrowings and financial lease obligations used by the Group during the period ended 30 September 2014 amounts to TL 2.278.444 (30 September 2013 – TL 6.859.200).

The total principal repayment of bank borrowings and bills, bonds and notes issued with and financial leases during the period ended 30 September 2014 amounts to TL 4.268.681 (30 September 2013 – TL 5.368.816).

	30 September 2014			31 December 2013		
	Weighted average nominal interest rate (%)	Original amount	TL equivalent	Weighted average nominal interest rate (%)	Original amount	TL equivalent
Short-term borrowings:						
TL bank borrowings with fixed interest rates	8,02	156.954	156.954	3,63	54.573	54.573
Interest accruals:						
TL bank borrowings with fixed interest rates		1.648	1.648		556	556
Short-term borrowings			158.602			55.129
Short-term portion of long-term bank borrowings:						
USD bank borrowings with fixed interest rates	3,08	62.788	143.087	3,10	61.404	131.055
USD bank borrowings with variable interest rates (*)	2,95	173.001	394.252	3,08	350.771	748.651
Euro bank borrowings with variable interest rates (**)	2,08	200.035	578.381	2,47	424.456	1.246.415
JPY bank borrowings with variable interest rates (***)	2,64	3.323.121	68.978	2,65	1.657.047	33.524
Interest accruals of long-term bank borrowings						
USD bank borrowings with fixed interest rates		2.745	6.256		943	2.013
USD bank borrowings with variable interest rates (*)		9.232	21.039		9.805	20.927
Euro bank borrowings with variable interest rates (**)		5.379	15.553		4.530	13.302
JPY bank borrowings with variable interest rates (***)		486	10		735	15
Short-term portion of long-term bank borrowings			1.227.556			2.195.902
Total short-term borrowings			1.386.158			2.251.031
Long-term borrowings:						
USD bank borrowings with fixed interest rates	3,08	204.515	466.069	3,10	231.545	494.187
USD bank borrowings with variable interest rates (*)	2,95	1.359.502	3.098.169	3,08	1.487.391	3.174.539
Euro bank borrowings with variable interest rates (**)	2,08	581.411	1.681.090	2,47	789.909	2.319.575
JPY bank borrowings with variable interest rates (***)		-	-	2,65	3.314.094	67.047
Total long-term borrowings			5.245.328			6.055.348
Total financial liabilities			6.631.486			8.306.379

(*) Libor + (varies between 0,80% – 4,88%) spread

(**) Euribor + (varies between 0,25% – 3,25%) spread

(***) JPY Libor + 2,5%

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8. Financial liabilities - Net (continued)

Bank borrowings (continued)

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

	30 September 2014				Total	31 December 2013				
	Up to 3 moths	3 months to 1 year	1 year to 5 years	More than 5 years		Up to 3 moths	3 months to 1 year	1 year to 5 years	More than 5 years	Total
TL bank borrowings with fixed interest rates	113.977	44.625	-	-	158.602	38.144	16.985	-	-	55.129
USD bank borrowings with fixed interest rates	73.048	76.295	444.665	21.404	615.412	5.926	127.142	452.601	41.586	627.255
USD bank borrowings with variable interest rates	165.069	250.222	2.216.835	881.334	3.513.460	325.372	444.206	2.338.038	836.501	3.944.117
Euro bank borrowings with variable interest rates	329.145	264.789	1.450.085	231.005	2.275.024	330.059	929.658	2.003.870	315.705	3.579.292
JPY bank borrowings with variable interest rates	10	68.978	-	-	68.988	15	33.524	67.047	-	100.586
	681.249	704.909	4.111.585	1.133.743	6.631.486	699.516	1.551.515	4.861.556	1.193.792	8.306.379

In terms of the loan utilized by TTINT amounting to Euro 46.000 on 10 May 2011, the Company provided company guarantee for the liabilities of TTINT Austria under contract.

Bills, bonds and notes issued

	30 September 2014			31 December 2013		
	Weighted average nominal interest rate (%)	Original amount	TL equivalent	Weighted average nominal interest rate (%)	Original amount	TL equivalent
Bills, bonds and notes issued:						
USD bank borrowings with fixed interest rates		12.454	28.380		-	-
Short-term bills, bonds and notes issued			28.380			-
Long-term bills, bonds and notes issued:						
USD bank borrowings with fixed interest rates	4,53%	989.564	2.255.117		-	-
Total long-term bills, bonds and notes issued			2.255.117			-
Total financial liabilities			2.283.497			-

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

The sales process of the bond issuances with 5 year maturity, and 3,75% coupon rate based on 3,836% reoffer yield was completed on June 19th, 2014. The bonds are now quoted at Irish Stock Exchange.

As of 30 September 2014, maturity period of accrued interests of the long term bonds amounting to TL 28.380 is less than 6 months. Maturity period between 1-5 years and over 5 years of TL 2.555.117 amounted long term bonds is TL 1.130.105 and TL 1.125.012, respectively.

The principal of bills, bonds and notes issued by the Group during the period ended 30 September 2014 amounts to TL 2.155.117 (30 September 2013 – None).

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9. Trade receivables and payables from third parties

a) Trade receivables

	30 September 2014	31 December 2013
Short-term		
Trade receivables	4.354.097	4.010.368
Other trade receivables	106.620	68.757
Income accruals	463.314	545.468
Allowance for doubtful receivables (-)	(1.655.245)	(1.532.987)
Total short-term trade receivables	3.268.786	3.091.606
Long-term		
Trade receivables	40.959	34.275
Total long-term trade receivables	40.959	34.275

Average maturity of short term trade receivables is 30 days (2013 - 30 days).

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

	1 January -30 September 2014	1 January - 30 September 2013
At January 1	(1.532.987)	(1.398.234)
Provision for the year	(245.021)	(267.825)
Reversal of provision - collections	121.731	139.395
Write off of doubtful receivables	868	1.058
Change in currency translation differences	162	(319)
At 30 September	(1.655.247)	(1.525.925)

The Company 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 collection from its overdue receivables. As of 30 September 2014 and 31 December 2013 the analysis of trade receivables that were past due but not impaired is as follows:

	Total	Neither past due nor impaired	Past due but not impaired					
			< 30 days	30-60 days	60-90 days	90-120 days	120-360 days	>360 days
30 September 2014	3.309.745	2.251.964	311.074	134.598	84.022	80.112	180.626	267.349
31 December 2013	3.125.881	2.048.236	201.826	211.024	105.557	77.995	199.192	282.051

Receivables guaranteed of the Group are amounting to TL 26.562 (31 December 2013 – TL 22.760)

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9. Trade receivables and payables from third parties (continued)

b) Trade payables

	30 September 2014	31 December 2013
Short-term		
Trade payables	834.684	1.406.103
Expense accruals	532.032	318.401
Other trade payables	5.943	13.244
Total short-term trade payables	1.372.659	1.737.748

As at 30 September 2014, the Group does not have any payable to suppliers due to TAFICS projects (31 December 2013 – TL 16.480).

The average term of trade payables is between 30 and 90 days (31 December 2013 – 30 and 90 days).

10. Tangible, intangible assets, investment property and non-current assets held for sale

The amount of tangible and intangible assets purchased during the nine month period ended 30 September 2014 is TL 1.088.315 (30 September 2013 – TL 1.370.509).

Net book value of tangible and intangible assets sold during the nine month period ended 30 September 2014 amounted to TL 44.252 (30 September 2013 – TL 26.970).

As of 30 September 2014, based on the decision of Board of Directors to sell 104 different real estates, these assets were classified as held for sale (30 September 2014 – TL 31.581, 31 December 2013 – 46.747). The assets are measured at the lower of their carrying value and fair value less costs to sell.

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11. Provisions for employee employee benefits

	30 September 2014	31 December 2013
Short term provisions for employee benefits		
Personnel bonus provision	99.349	829
	99.349	829
Long term provisions for employee benefits		
Unused vacation provisions	68.237	64.378
	68.237	64.378

The movement of unused vacation provisions is stated below:

	1 January - 30 September 2014	1 January - 30 September 2013
Provisions at 1 January	64.378	91.435
Settled provisions	(3.188)	(13.431)
Provision for the period	51.010	11.361
Provisions used / reversed	(43.916)	(18.936)
Foreign currency translation difference	(47)	200
Provisions at 30 September	68.237	70.629

12. Employee termination benefits

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

The retirement pay liability as at 30 September 2014 is subject to a ceiling of full TL 3.438,22 (31 December 2013 – full TL 3.254,44) per monthly salary for each service year.

i) Reconciliation of opening and closing balances of defined benefit obligation:

	1 January - 30 September 2014	1 January - 30 September 2013
Defined benefit obligation at January 1	585.394	749.411
Current service cost	38.787	38.044
Interest cost	41.125	37.374
Actuarial loss (*)	26.788	34.256
Benefits paid by the group	(17.788)	(247.211)
Foreign currency translation difference	(265)	146
Liabilities as at 30 September	674.041	612.020

(*) For the nine month period ended as at 30 September 2014, actuarial loss amounting to TL 26.788 (30 September 2013 – 34.256) is recognized in other comprehensive income.

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12. Employee termination benefits (continued)

ii) Total expense recognized in the consolidated statement of income:

	1 January - 30 September 2014	1 January - 30 September 2013
Current service cost	38.787	38.044
Interest cost	41.125	37.374
Total net cost recognized in the consolidated statement of income	79.912	75.418

iii) Principal actuarial assumptions used:

	30 September 2014	30 September 2013
Discount rate	9.0%	8.5%
Expected rate of ceiling increases	5.5%	5.0%

The voluntary withdrawal rate for the next years for the Group's remaining employees based on their age – group is estimated to change between 0,61% and 6,87% (2013 –0,62% and 7,06%).

13. Other assets, liabilities and employee benefit obligations

a) Other current assets

	30 September 2014	31 December 2013
Intermediary services for collection (1)	73.080	86.350
Advances given (2)	34.423	41.896
Value Added Tax (VAT)	15.554	29.228
Other current assets (3)	42.930	65.773
	165.987	223.247

- 1) Intermediary services and sales for collection consist of advances given by Avea to its distributors.
- 2) Advances given mostly consist of advances given to suppliers.
- 3) Other current assets mostly consist of advances received from TAFICS projects. The interest income from these time deposits are added to the advances received and not reflected in the consolidated income statement as per agreement between parties. These time deposits are restricted and can only be used for payments related to TAFICS projects.

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13. Other assets, liabilities and employee benefit obligations (continued)

b) Other non-current assets

	30 September 2014	31 December 2013
Intermediary services for collection (1)	15.828	18.858
Other non-current assets	4	2
	15.832	18.860

(1) Intermediary services and sales for collection consist of advances given by Avea to its distributors.

c) Other current liabilities

	30 September 2014	31 December 2013
Advances received (1)	39.381	40.727
Other liabilities	7.700	13.816
	47.081	54.543

(1) The balance includes the advances received from TAFICS. The Company acts as an intermediary for TAFICS projects by transferring advances received to the contractors and supporting the management of the projects. Expenditures arising from the projects are deducted from the advances received at the date of the expenditure. Advances not used are held as time deposits and the interest earned is credited to the advances received in accordance with the agreement between the parties.

d) Employee benefit obligations

	30 September 2014	31 December 2013
Social security premiums payable	50.157	41.188
Income tax payables to employees	42.540	42.714
Payables to personnel	14.579	21.568
	107.276	105.470

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14. Minority put option liability

On 15 September 2006, the Company, İş Bank Group and other Avea shareholders signed an "Amendment Agreement" to the "Shareholder Agreement" and the "IPO and Put Agreement" originally dated 2004. In accordance with the Amendment Agreement, the Company grants a put option to İş Bank Group on the shares of Avea owned by İş Bank Group. The put option is exercisable under the following conditions:

- a) If an IPO for Avea does not take place before 1 January 2011, then starting from 1 January 2011 until 31 December 2014 ("First Period") İş Bank Group at any time during the First Period shall have the right to demand that the Company initiate and execute an IPO to be concluded within nine months starting from the date of the demand. However, the Company may decide, within thirty days following the date of the demand for IPO, to postpone the IPO until the end of the First Period.
- b) If an IPO does not take place by the end of the "First Period" then starting from 1 January 2015 until 31 December 2015, İş Bank Group shall have the right to demand that the Company initiate and execute an IPO.
- c) Within one month following the execution of an IPO, via any of the methods described above and regardless of the timing of the IPO, İş Bank Group shall have the right to sell to the Company all of their outstanding shares in Avea at a price equal to the IPO price less a five percent discount.

While determining fair value of minority put option liability as of 30 September 2014, it had been assumed that İş Bankası Group would exercise its option on 1 January 2015. The Company has estimated a value based on discounted cash flows after 31 December 2014. The value determined as at 1 January 2015 is then discounted back to 30 September 2014. The fair value of the put option liability as at 30 September 2014 amounts to TL 523.274 (31 December 2013 – TL 483.946). In accordance with Group's accounting policies, the change between fair values of minority put option liabilities as of 30 September 2014 and 31 December 2013 has been accounted in other reserves under equity.

In order to reflect the minority put option liability in the interim condensed consolidated financial statements, the non-controlling interest (after carrying amount was adjusted for current period result) as at 30 September 2014, amounting to negative TL 220.109 (31 December 2013 – negative TL 251.138 long term), has been reclassified from equity to "minority put option liability" under long-term liabilities after appropriation of profit / loss to the non-controlling interest for the period. The fair value of minority put option liability, has been determined as TL 523.274 (31 December 2013 - TL 483.946), and the difference of TL 303.165 (31 December 2013 - TL 232.808) is reflected in equity as "minority put option liability reserve", based on the Group's accounting policy for the acquisition of non-controlling interest.

The fair value of the minority put option liability has been estimated based on multiple approaches including discounted cash flows after 31 December 2014. The enterprise value used as a base for the put option fair value determination has been calculated by using cash flow projections from the business plan of Avea covering a five-year plan. WACC used for the discount of cash flows are 14,68% and 15,59% for taxable and non-taxable periods, respectively. The valuation is tested at a sensitivity of +2% / -2%. The value in use projections are based on a discounted cash flow "DCF" study implemented until 2029. The average of the values determined as of 1 January 2015 is then discounted back to 30 September 2014.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

**Notes to the interim condensed consolidated financial statements
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(Currency - in Thousands of Turkish Lira (TL) unless otherwise indicated. All other currencies are also expressed in thousands)

15. Commitments and contingencies

Guarantees received and given by the Group are summarized below:

		30 September 2014		31 December 2013	
		Original currency	TL	Original currency	TL
Guarantees received	USD	195.868	446.363	216.791	462.697
	TL	817.495	817.495	703.026	703.026
	Euro	13.926	40.264	100.158	294.114
	Sterling	8	29	8	28
		1.304.151		1.459.865	
Guarantees given (*)	USD	160.207	365.096	164.232	350.520
	TL	214.783	214.783	144.141	144.141
	Euro	19.875	57.467	19.822	58.207
	Other	39	25	41	27
Total		637.371		552.895	

(*) US Dollar 151.500 of the amount (31 December 2013 – US Dollar 151.500) is related with the guarantee provided to the ICTA by Avea with respect to the Avea Concession Agreement and Euro 12.840 is related with the guarantee provided for 3G (31 December 2013 – Euro 12.840) license.

The Company's guarantee, pledge and mortgage (GPM) position as at 30 September 2014 and 31 December 2013 is as follows:

GPMs given by the Company	30 September 2014	31 December 2013
A.GPMs given on behalf of the Company's legal personality	637.185	552.696
B.GPMs given in favor of subsidiaries included in full consolidation	134.466	136.160
C.GPMs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business (*)	622.021	279.546
D.Other GPMs	-	23.492
i. GPMs given in favor of parent company	-	-
ii. GPMs given in favor of Company companies not in the scope of B and C above	-	23.492
iii. GPMs given in favor of third party companies not in the scope of C above	-	-
Total	1.393.672	991.894

GPMs given by the Group as at 31 December 2014 are equivalent to 0,43% of the Company's equity.

(*) Based on law 128/1 of Turkish Code of Obligations, Avea has given guarantees to distributors amounting to TL 622.021 for the financial obligation that would arise during the purchase of devices that will be sold as commitment sales by Avea (31 December 2013 – TL 279.546).

Other commitments

The Group has purchase commitments for sponsorships and advertising services at the amount of 33.150 US Dollar, 1.097 Euro and TL 8.942 equivalent to TL 87.659 as at 30 September 2014 (31 December 2013 – TL 136.656). Payments for these commitments will be completed in a 6-year period. The Group has purchase commitments for capex purchases amounting to 47.226 US Dollar, 11.134 Euro, 23 GBP, and TL 373.156, equivalent to TL 513.057 as at 30 September 2014 (31 December 2013 – TL 305.836).

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

15. Commitments and contingencies (continued)

Legal proceedings of Türk Telekom

From time to time the Group has been, and expects to continue to be, subject to legal proceedings and claims arising in the ordinary course of its business.

Disputes between Türk Telekom and Turkcell İletişim Hizmetleri A.Ş ("Turkcell")

The Company and Turkcell have disputes over international interconnection and leased line rates charged by the Company. Based on the assessments of the Company management and its legal counsel, as of and for the period ended 30 September 2014, total provision in relation to these litigations for principal and interest amounted to TL 92.939 as of 30 September 2014 (31 December 2013 – TL 83.501).

Disputes between the Company and its former personnel

In the scope of the ongoing restructuring of the personnel organization of the Company in order to achieve the number of personnel identified, the contracts of the employees who are entitled for pension and who are regarded as a surplus to the Company have been terminated based on the Board of Directors Decision. Accordingly, certain part of those employees has filed re-employment lawsuits against the Company. Most of the courts decided against the Company while the remaining cases are still ongoing. Provision amounting to TL 12.264 has been provided as of 30 September 2014 for the ongoing cases (31 December 2013 – TL 6.566).

Disputes between the Company and Metropolitan Municipality

Total amount filed against the Company by Metropolitan Municipality as contribution to the infrastructure investment and municipality share is TL 17.806. A cumulative provision amounting to TL 54.224 including the nominal amount and legal interest charges has been recognised as at 30 September 2014 (31 December 2013 – TL 52.236).

Disputes between the Group and the ICTA

ICTA, based on its decision dated 23 July 2014, imposed administrative fine amounting to TL 30.466 and decided that TTNET should refund TL 111.880 to subscribers who did not pay their invoiced debts and is charged after their lines to be restricted for the period between May 2006 and December 2013, which is contrary to Electronic Communication Law numbered 5809. Based on the assessment of Group management, provision amounting to TL 48.035 is provided in the consolidated financial statements considering TTNET's historic refund performance and the provisions which have already been provided.

In addition to this, The Company has filed various lawsuits against ICTA. These lawsuits are related with the sector-specific and tariff legislations and legislations with respect to the other operators in the market. The sector-specific disputes generally stem from the objections with respect to the provisions of interconnection legislation, legislation with respect to telecommunication services and infrastructure. As of 30 September 2014 TL 15.076 provision provided for other ICTA penalties and returns to subscribers (31 December 2013 – total ICTA fines and subscribers returns TL 59.364).

Other issues

Provision has been provided in the interim condensed 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 59.751 as at 30 September 2014 (31 December 2013 – TL 32.271). For the rest of the cases, Group lawyers commented that the grounds for those cases are not reasonable and should be appealed. Therefore, no provision has been provided for these cases.

(Convenience translation of a report and financial statements originally issued in Turkish (See Note 2.1))

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

16. Financial risk management objectives and policies

Foreign currency risk

	30 September 2014						31 December 2013					
	TL Equivalent	US Dollar	Euro	JPY	GBP	Other	TL equivalent	US Dollar	Euro	JPY	GBP	Other
1. Trade receivables	266.146	66.598	39.323	-	-	675	329.205	65.864	63.986	-	-	1.293
2a. Monetary financial assets (Cash and banks accounts included)	79.130	20.244	11.405	-	6	-	296.736	19.294	87.018	556	5	-
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-	-	-
3. Other	50.461	364	17.165	-	-	-	52.969	1.066	17.264	-	-	-
4. Current assets (1+2+3)	395.737	87.206	67.893	-	6	675	678.910	86.224	168.268	556	5	1.293
5. Trade receivables	4.712	1.968	78	-	-	-	-	-	53	-	-	-
6a. Monetary financial assets	32.729	10.800	2.807	-	-	-	64.598	27.620	1.912	1.691	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-	-	-
7. Other	2.743	1.044	126	-	-	-	938	213	165	-	-	-
8. Non-current assets (5+6+7)	40.184	13.812	3.011	-	-	-	65.536	27.833	2.130	1.691	-	-
9. Total assets (4+8)	435.921	101.018	70.904	-	6	675	744.446	114.057	170.398	2.247	5	1.293
10. Trade payables	455.063	138.596	47.905	-	190	2	619.533	213.203	55.948	-	63	7
11. Financial liabilities	1.237.587	263.104	196.794	3.323.608	-	-	2.188.106	427.448	423.043	1.657.782	-	-
12a. Monetary other liabilities	50.008	6.615	12.082	-	-	-	45.427	5.930	11.160	-	-	-
12b. Non-monetary other liabilities	1.485	358	231	-	-	-	-	-	-	-	-	-
13. Short-term liabilities (10+11+12)	1.744.143	408.673	257.012	3.323.608	190	2	2.853.066	646.581	490.151	1.657.782	63	7
14. Trade payables	-	-	-	-	-	-	-	-	-	-	-	-
15. Financial liabilities	7.413.034	2.546.522	556.743	-	-	-	6.003.327	1.727.072	766.283	3.314.094	-	-
16 a. Monetary other liabilities	84.720	258	29.097	-	-	-	90.428	31	30.772	-	-	-
16 b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-	-	-
17. Long-term liabilities (14+15+16)	7.497.754	2.546.780	585.840	-	-	-	6.093.755	1.727.103	797.055	3.314.094	-	-
18. Total liabilities (13+17)	9.241.897	2.955.453	842.852	3.323.608	190	2	8.946.821	2.373.684	1.287.206	4.971.876	63	7
19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b)	(237.262)	500.000	(386.100)	3.323.608	-	-	101.155	-	-	5.000.000	-	-
19a. Total asset amount hedged	-	-	-	-	-	-	-	-	-	-	-	-
19b. Total liability amount hedged	237.262	(500.000)	386.100	(3.323.608)	-	-	(101.155)	-	-	(5.000.000)	-	-
20. Net foreign currency asset/(liability) position (9-18+19)	(9.043.238)	(2.354.435)	(1.158.048)	-	(184)	673	(8.101.220)	(2.259.627)	(1.116.808)	30.371	(58)	1.286
21. Net asset/(liability) position of foreign currency monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(8.857.695)	(2.855.485)	(789.008)	(3.323.608)	(184)	673	(8.256.282)	(2.260.906)	(1.134.237)	(4.969.629)	(58)	1.286
22. Fair value of foreign exchange swap financial instruments	(2.011)	-	-	(90.637)	-	-	1.111	-	-	109.589	-	-
23. Hedged amount of foreign currency assets	-	-	-	-	-	-	-	-	-	-	-	-
24. Hedged amount of foreign currency liabilities	237.262	-	-	(3.323.608)	-	-	-	-	-	(5.000.000)	-	-

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**Notes to the interim condensed consolidated financial statements
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(Currency - in Thousands of Turkish Lira (TL) unless otherwise indicated. All other currencies are also expressed in thousands)

16. Financial risk management objectives and policies (continued)**Foreign currency risk**

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

30 September 2014	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	(646.702)	646.702	(5.149)	5.149
2- Hedged portion of USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(646.702)	646.702	(5.149)	5.149
Appreciation of Euro against TL by 10%:				
4- Euro net asset/liability	(228.544)	228.544	(42.322)	42.322
5- Hedged portion of Euro risk (-)	-	-	-	-
6- Euro net effect (4+5)	(228.544)	228.544	(42.322)	42.322
Appreciation of JPY against TL by 10%:				
7- JPY net asset/liability	(6.897)	6.897	(2)	-
8- Hedged portion of JPY risk (-)	6.897	(6.897)	2	-
9- JPY net effect (7+8)	-	-	-	-
Appreciation of other foreign currencies against TL by 10%:				
10- Other foreign currency net asset/liability	(27)	27	-	-
11- Hedged portion of other foreign currency (-)	-	-	-	-
12- Other foreign currency net effect (10+11)	(27)	27	-	-
Total (3+6+9+12)	(875.273)	875.273	(47.471)	47.471
<hr/>				
31 December 2013	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	(479.117)	479.117	(4.159)	4.159
2- Hedged portion of USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(479.117)	479.117	(4.159)	4.159
Appreciation of Euro against TL by 10%:				
4- Euro net asset/liability	(333.069)	333.069	(13.231)	13.231
5- Hedged portion of Euro risk (-)	-	-	-	-
6- Euro net effect (4+5)	(333.069)	333.069	(13.231)	13.231
Appreciation of JPY against TL by 10%:				
7- JPY net asset/liability	(10.049)	10.049	(5)	-
8- Hedged portion of JPY risk (-)	10.049	(10.049)	5	-
9- JPY net effect (7+8)	-	-	-	-
Appreciation of other foreign currencies against TL by 10%:				
10- Other foreign currency net asset/liability	53	(53)	-	-
11- Hedged portion of other foreign currency (-)	-	-	-	-
12- Other foreign currency net effect (11+12)	53	(53)	-	-
Total (3+6+9)	(812.133)	812.133	(17.390)	17.390

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16. Financial risk management objectives and policies (continued)

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

The below table summarizes the carrying and fair values of financial asset and liabilities not presented at fair value in the Group's interim condensed 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	
	Current Period	Prior Period	Current Period	Prior Period
Financial assets				
Cash and cash equivalents	2.088.598	1.004.767	2.088.598	1.004.767
Trade and other receivables (including related parties)	3.502.040	3.314.793	3.502.040	3.314.793
Other financial investments	11.840	11.840	(*)	(*)
Derivative financial assets	52.824	60.061	52.824	60.061
Financial liabilities				
Bank borrowings	6.631.486	8.306.379	6.631.486	8.305.998
Bills, bonds and notes issued	2.283.497	-	2.227.750	-
Financial leasing liabilities	19.721	27.129	19.721	27.129
Trade and other payables (including related parties) and employee benefit obligations	1.997.242	2.320.784	1.997.242	2.320.784
Minority put option liability	523.274	483.946	523.274	483.946
Derivative financial liabilities	28.044	24.665	28.044	24.665

(*) Group's share in Cetel is carried at cost. Information on fair value of share in Cetel is not available.

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 do not contain observable market inputs

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16. Financial risk management objectives and policies (continued)

Fair value hierarchy table (continued)

Fair value hierarchy table as at 30 September 2014 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 through profit or loss					
Interest Rate Swaps - USD Dollar	30 September 2014	27.202	-	27.202	-
Foreign Exchange Forward Contracts– EUR	30 September 2014	25.622	-	25.622	-
Financial liabilities measured at fair value through profit or loss					
Bills, bonds and notes issued	30 September 2014	2.227.750	2.227.750	-	-
Interest Rate Swaps - USD Dollar	30 September 2014	25.008	-	25.008	-
Foreign Exchange Forward Contracts– JPY	30 September 2014	2.011	-	2.011	-
Commodity Derivative (Copper)	30 September 2014	1.025	-	1.025	-
Other Financial liabilities measured at fair value through profit or loss					
Minority Put Option Liability	30 September 2014	523.274	-	-	523.274

Descriptions of significant unobservable inputs to valuation:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of the input to fair value
Avea minority put option liability	Discounted cash flows method	Long-term revenue growth rate	%0,35 -% 3 decrease in revenue growth rate	Increasing/decreasing the decrease in the growth rate by 1%, increases/decreases the fair value by TL 104.174.
		WACC	14,7% - 15,6%	Increasing the WACC by 1%, decreases the fair value by TL 36.271, decreasing the WACC by 1%, increases the fair value by TL 39.290

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16. Financial risk management objectives and policies (continued)

Fair value hierarchy table (continued)

Fair value hierarchy table as at 31 December 2013 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 through profit or loss					
Interest Rate Swaps - USD Dollar	31 December 2013	58.950	-	58.950	-
Foreign Exchange Forward Contracts– JPY	31 December 2013	1.111	-	1.111	-
Comodity Derivative (Copper)	31 December 2013	-	-	-	-
Financial liabilities measured at fair value through profit or loss					
Interest Rate Swaps - USD Dollar	31 December 2013	13.303	-	13.303	-
Foreign Exchange Forward Contracts– JPY	31 December 2013	-	-	-	-
Comodity Derivative (Copper)	31 December 2013	11.363	-	11.363	-
Other Financial liabilities measured at fair value through profit or loss					
Minority Put Option Liability	31 December 2013	483.946	-	-	483.946

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 2014 and 2013.

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17. Other financial investments and other financial liabilities

Cash flow hedges and derivative financial instruments

Interest rate swaps

The Company has also entered into an eight-part interest rate swap transactions between 11 April 2012 and 30 April 2012 with a maturity date on 21 March 2022 and a total notional amount of US Dollar 400.000. In addition, the Company has also entered into a four-part interest rate swap transactions between 8 April 2013 and 17 April 2013 with a maturity date on 21 August 2023 and a total notional amount of US Dollar 200.000.

The Company has also entered into an six-part interest rate swap transactions between 29 April -20 May 2014 with a maturity date on 19 June 2024 and a total notional amount of US Dollar 300.000. The Company has also entered into an five-part interest rate swap transactions between 15 - 16 May 2014 with a maturity date on 12 August 2024 and a total notional amount of US Dollar 150.000.

As of 30 September 2014 fair value of derivative transactions amounting to TL 22.673 has been recognised under long term financial liabilities and fair value of derivative transactions amounting to TL 12.453 has been recognised under long term financial assets (31 December 2013 – TL 1.536 current liabilities, TL 58.950 non-current asset). Unrealised loss on these derivatives amounting to TL 67.634 (31 December 2013- TL 90.590 gain) has been recognised in other comprehensive income.

Company	Notional Amount (USD Dollar)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 30 September 2014 (TL)
Türk Telekom	400.000	11 April 2012 – 30 April 2012	21 March 2022	Pay fixed rates between March 2014 and March 2022, and receive floating rates	(7.416)
Türk Telekom	150.000	8 April 2013 – 15 April 2013	21 August 2023	Pay fixed rates between 21 August 2015 and 21 August 2023, and receive floating rates	9.237
Türk Telekom	50.000	17 April 2013	21 August 2023	Pay fixed rates between 21 August 2015 and 21 August 2023, and receive floating rates	3.216
Türk Telekom	300.000	29 April – 20 May 2014	19 June 2024	Pay fixed rates between 20 June 2016 and 19 June 2024, and receive floating rates	(15.055)
Türk Telekom	150.000	15 – 16 May 2014	12 August /26 June 2024	Pay fixed rates between June 2016 and August 2024, and receive floating rates	(202)
					(10.220)

Company	Notional Amount (USD Dollar)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 December 2013 (TL)
Türk Telekom	400.000	11 April 2012 – 30 April 2012	19 March 2014	Pay fixed rates between March 2012 and March 2014, and receive floating rates	(1.536)
Türk Telekom	400.000	11 April 2012 – 30 April 2012	21 March 2022	Pay fixed rates between March 2014 and March 2022, and receive floating rates	22.356
Türk Telekom	200.000	8 April 2013 – 17 April 2013	21 August 2023	Pay fixed rates between 21 August 2015 and 21 August 2023, and receive floating rates	36.594
					57.414

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17. Other financial investments and other financial liabilities (continued)

Foreign exchange hedge

The Company has also entered into seven-part JPY forward transactions at 11 November 2013 with a maturity date on 25 September 2015 with a total notional amount of JPY 3.333.333. As of 30 September 2014 fair value of derivative transactions amounting to TL 1.480 has been recognized under short term financial liabilities and TL 531 has been recognized under long term financial liabilities. (31 December 2013 – TL 275 current assets, TL 836 non-current assets.) Unrealized loss on these derivatives amounting to TL 3.122 has been recognized in consolidated statement of comprehensive income.

Company	Notional Amount (JPY)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 30 September 2014 (TL)
Türk Telekom	1.666.666	11 October 2013	27 March 2015	Buy JPY at September 2014 and sell TL	(1.480)
Türk Telekom	1.666.666	11 October 2013	25 September 2015	Buy JPY at September 2014 and sell TL	(531)
					(2.011)

Company	Notional Amount (JPY)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 December 2013 (TL)
Türk Telekom	1.666.667	11 October 2013	26 September 2014	Buy JPY at September 2014 and sell TL	275
Türk Telekom	3.333.333	11 October 2013	27 March - 25 September 2015	Buy JPY at March-September 2015 and sell TL	836
					1.111

Hedge of net investment in a foreign operation

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**Notes to the interim condensed consolidated financial statements****for the period ended 30 September 2014 (continued)**

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

17. Other financial investments and other financial liabilities (continued)***Other derivative instruments which are not designated as hedge***

As of 30 September 2014 fair value of ineffective portion of the interest rate swap transactions and time value amounting to TL 14.748 has been recognised under long term financial assets and fair value of ineffective portion of the interest rate swap transactions and time value amounting to TL 2.335 has been recognised under long term financial liabilities. (31 December 2013 – TL 11.766 liabilities.) Unrealised gain on these derivatives amounting to TL 24.179 (31 December 2013- TL 14.922 loss) has been recognised in the consolidated statement of profit or loss.

Company	Notional Amount (USD Dollar)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 30 September 2014 (TL)
Türk Telekom	400.000	11 April 2012 – 30 April 2012	21 March 2022	Pay the difference between floating rate and 6% if floating rate exceeds 6%, between March 2014 and March 2022, and receive fixed premium (%0,24-0,27)	7.726
Türk Telekom	200.000	8 April 2013 – 17 April 2013	21 August 2023	Pay the difference between floating rate and 6% if floating rate exceeds 6%, between August 2015 and August 2023, and receive fixed premium (%0,24-0,27)	1.457
Türk Telekom	300.000	29 April – 20 May 2014	19 August 2024	Pay the difference between floating rate and 4% if floating rate exceeds 4%, between August 2016 and August 2021, and receive fixed premium (%0,44-0,575). Pay the difference between floating rate and 6% if floating rate exceeds 6%, between August 2021 and August 2024, and receive fixed premium (%0.39-%0.45)	5.565
Türk Telekom	200.000	15 – 16 May 2014	12 August /26 June 2024	Pay floating price between June 2016/August 2016 and June 2024/August 2014, and receive fixed premium (%0,24-0,27)	(2.335)
					12.413

Company	Notional Amount (USD Dollar)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 December 2013 (TL)
Türk Telekom	400.000	11 April 2012 – 30 April 2012	21 March 2022	Pay the difference between floating rate and 6% if floating rate exceeds 6%, between 19 March 2014 and 21 March 2022, and receive fixed premium (%0,24-0,27)	(4.693)
Türk Telekom	200.000	8 April 2013 – 17 April 2013	21 August 2023	Pay the difference between floating rate and 6% if floating rate exceeds 6%, between 21 August 2015 and 21 August 2023, and receive fixed premium (%0,24-0,27)	(7.073)
					(11.766)

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the interim condensed consolidated financial statements for the period ended 30 September 2014 (continued)

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

17. Other financial investments and other financial liabilities (continued)

Other derivative instruments which are not designated as hedge (continued)

The Company has also entered into a sixteen-part copper option transactions between 21 August and 27 November 2013 with a maturity date on 5 January 2015 and a total notional amount of 6.000 tonnes. (31.December.2013 – 12.800 tonnes) As of 30 September 2014 fair value of derivative transactions amounting to TL 1.025 has been recognised under short term financial assets. (31 December 2013 – TL 7.134 current liabilities, TL 4.229 non-current liabilities.) Unrealised loss on these derivatives amounting to TL 10.338 has been recognised in the consolidated statement of profit or loss.

Company	Notional Amount (tonnes)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 30 June 2014 (TL)
Türk Telekom	6.000	21 August 2013- 27 November 2013	31 December 2014- 5 January 2015	Pay floating price at June 2014 – January 2015 and receive fixed price.	(1.025)
					(1.025)

Company	Notional Amount (tonnes)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 December 2013 (TL)
Türk Telekom	10.100	21 August 2013 - 19 November 2013	30 June 2014	Pay floating price at 30 June 2014 and receive fixed price.	(7.134)
Türk Telekom	2.700	19 November 2013 - 27 November 2013	1-5 January 2015	Pay floating price on January 2015 and receive fixed price.	(4.229)
					-
					(11.363)

The Company has also entered into two-part cross currency swap transactions at 11 September 2014 with a maturity date on 19 June 2014 with a total notional amount of USD 500.000. As of 30 September 2014 fair value of derivative transactions amounting to TL 25.622 has been recognized under short term financial assets. Unrealized gain on these derivatives amounting to TL 25.622 has been recognized in other comprehensive income

Company	Notional Amount (USD)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 30 June 2014 (TL)
Türk Telekom	500.000	11 September 2014	19 June 2019	Buy USD at September 2014 and sell EUR	25.622
					25.622

18. Dividend

For the six months period ended 30 September 2014 the Group paid dividends in cash to the shareholders amounting to 912.131 from the remaining balance distributable profit for 2013 (a dividend of full kuruş 0,2606 per share)

For the six months period ended 30 September 2013 the Group paid dividends in cash to the shareholders amounting to 2.413.279 from the remaining balance distributable profit for 2012 (a dividend of full kuruş 0,6895 per share)

19. Subsequent events

None.