GROWING WITH INNOVATIONS

TÜRK TELEKOMÜNİKASYON A.Ş. 2013 ANNUAL REPORT

CONTENTS

A GLANCE AT THE FUTURE AND GROWTH

IN 2009, TÜRK TELEKOM SET THE "CONVERGENCE" CONCEPT AS A STRATEGY WHICH SHAPES TODAY AND FUTURE ALL OVER THE WORLD IN THE AREA OF TELECOMMUNICATION. INTRODUCING THE CONCEPT IN TURKEY, TÜRK TELEKOM BROUGHT THE FUTURE CLOSER TO THE PRESENT WITH THE INNOVATIONS.

WITH THIS REPORT YOU CAN TAKE A CLOSER LOOK AT TURKEY'S LEADING TELECOMMUNICATION AND CONVERGENCE TECHNOLOGY COMPANY TÜRK TELEKOM'S ACHIEVEMENTS AND INNOVATIVE PROJECTS THAT WILL SHAPE THE FUTURE.

GROWING BY ACCELERATING LIFE

With our 170 years of experience as Türk Telekom, we created a vast fiber infrastructure bridging all cities. We expanded our investments of fiber infrastructure in large scales reaching 81 cities in Turkey and increased the number of FTTH/B. With fiber internet, we made life much easier.

“WITH FIBER TECHNOLOGY, I CAN DOWNLOAD FILMS IN FEW MINUTES”

Türk Telekom spent TL 1.5 million of TL 2.2 billion of consolidated CAPEX to fixed infrastructure in 2013. In consequence, fiber transformation continued all across the country.

INVESTMENTS AND INFRASTRUCTURE PROJECTS

81
FIBER IN 81 CITIES OF TURKEY

1,000 MBPS
TTNET FIBER TARIFFS WITH 1,000 MBPS SPEED.

624 THOUSAND
FIBER SUBSCRIBERS

182 THOUSAND KM
FIBER OPTIC CABLE LENGTH REACHING UP TO 182,000 KM IN TURKEY

GROWING BY STREAMLINING EDUCATION

Within the scope of the FATIH Project, undertaken by the related Ministries and Turkey's largest education project ever, the target is;

- to provide all pre-school institutions, elementary (primary/secondary) schools with LCD Panel Interactive Board and Internet network infrastructure,
- and to provide all teachers and students with tablet computer. We believe that FATIH Project will provide streamlined education for students and will increase internet penetration figures which are behind Europe today.

> *"WITH FATIH PROJECT I CARRY THE FUTURE TO MY STUDENTS"*

THE AIM IS TO IMPLEMENT FATIH PROJECT IN APPROXIMATELY 42,000 SCHOOLS AND 570,000 CLASSROOMS IN TURKEY.

WITH THE PROJECT, NOT ONLY THE SCHOOLS WILL MEET WITH HIGH TECHNOLOGY BUT ALSO THERE WILL BE A POTENTIAL INCREASE OF INTERNET PENETRATION AND USAGE AT HOMES IN TURKEY DUE TO ACTIVE INTERNET UTILIZATION BY TEACHERS AND STUDENTS.

WITH THE PROJECT, THE CURRICULUM WILL HAVE A NEW STRUCTURE WHICH WILL UTILIZE INFORMATION TECHNOLOGIES (IT) INSTEAD OF TRADITIONAL EDUCATION BASED ON BOOKS AND NOTEBOOKS.

GROWING WITH CORPORATE SOLUTIONS

With Cloud Information Technology, we simplify the business processes of corporate customers and in line with their requirements we offer new proposals and solutions at high speed. We create efficiency with advanced cloud services and thus help our corporate customers to increase their performances.

"I CAN ACCESS ANY INFORMATION ABOUT MY WORK FROM ANY WHERE EASILY AND SECURELY"

Combining our cloud information technology (IT) services with our strong infrastructure, we provide sectoral solutions which add value to our customers. Investing cloud infrastructure technologies since 2009, we ensure that cloud information technology (IT) services can be used from any where in Turkey through our widespread access infrastructure. We strengthen our cloud IT solutions within the scope of business partnerships with global firms. We provide sectoral solutions which add value to the way our customers carry out their business in all sectors specifically such as; health, tourism, education, security.

BULUTT GÖZ (CLOUD EYE)
Camera, installation, software and storage services within the scope of the packages determined according to the requirements;

BULUTT KONFERANS (CLOUD CONFERENCE)
Web and video conference services providing end-to-end high definition video chat opportunity.

BULUTT DEPO (CLOUD DATA STORAGE)
For files, storage service on Türk Telekom Data Center file sharing platform.

TÜRK TELEKOM BECAME THE MEMBER OF THE CLOUD SECURITY ALLIANCE (CSA), THE MOST PRESTIGIOUS INSTITUTION IN THE INDUSTRY OF CLOUD INFORMATION TECHNOLOGY.

THE TTNET WEBIM PROJECT RANKED IN THE THIRD PLACE AT THE EUROPEAN CLOUD AWARDS IN THE "BEST CLOUD SERVICE PRODUCT" CATEGORY

TARGETING PARTICULARLY SMEs AND PUBLIC AND STRATEGIC CUSTOMERS, BULUTT RADYOLOJI (CLOUD RADIOLOGY) WAS LAUNCHED AND BULUTT ÖLÇÜM (CLOUD MEASUREMENT) WAS RE-LAUNCHED FOR THE HEALTH-CARE SECTOR IN THE THIRD QUARTER OF 2013.

GROWING WITH "FIRSTS"

We are pioneering another innovation in Turkey. With smart home phone, it is possible to connect to internet and social networks, watch TV, play games, listen to music.

"LIFE IS MUCH EASIER AT HOME WITH MY SMART HOME PHONE"

TT E4

Most up to date 4.2.2. Android Jelly Bean operating system

Capability to perform everything tablets or smart phones offer

Video chat via Wirofon

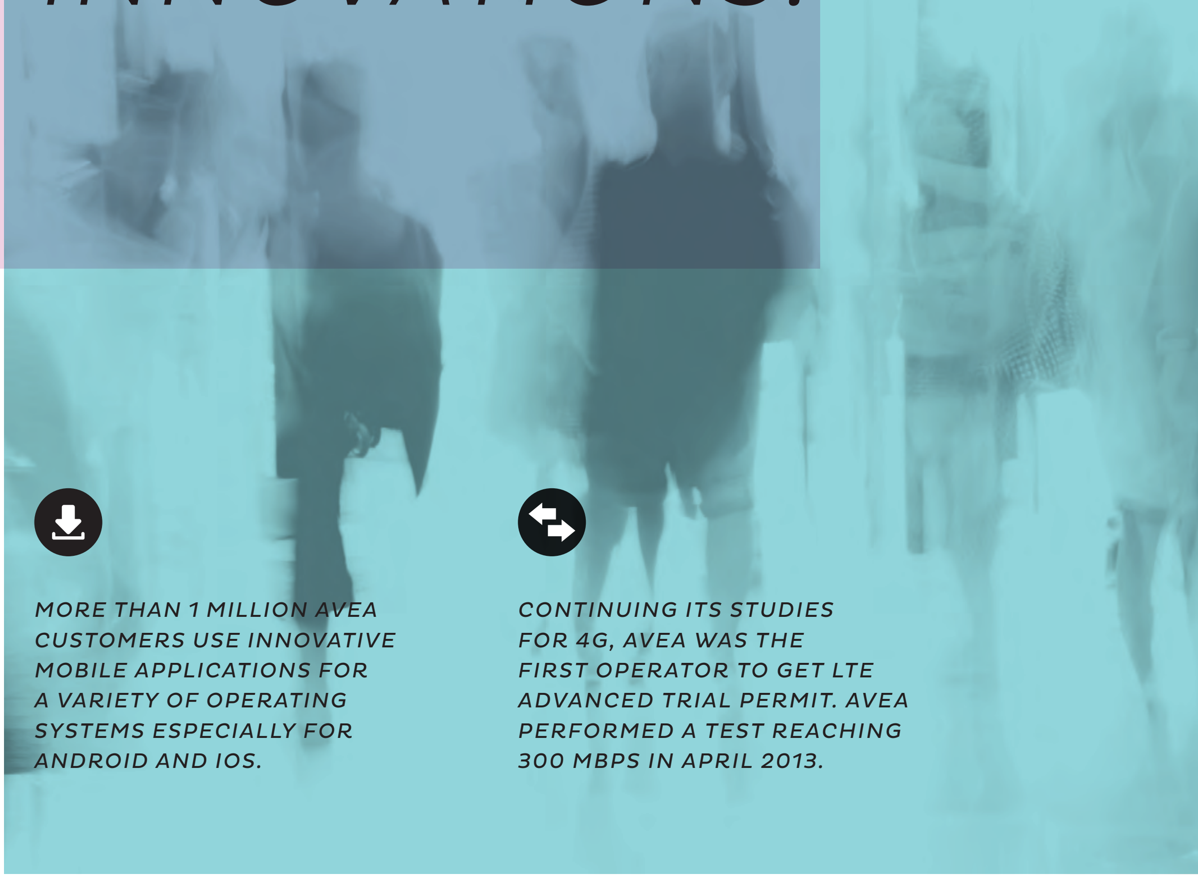
Capability to use social media applications such as Facebook, Twitter

Capability to use Türk Telekom and TTNET applications; Wirofon, TTNET Müzik(TTNET Music),Tivibu, BuluTT Rehber (Cloud Contacts Directory), BuluTT Depo (Cloud Data Storage), AkTTar and Yardım Rehberim (My Help Directory).

GROWING WITH DISTINCTIONS

Changing many things in the mobile world with its motto “Life changes with Avea”, Avea, the mobile operator of Türk Telekom Group continues to grow consistently. We, with Avea, keep on introducing innovations to people and adding difference to life.

“MY LIFE CHANGES WITH AVEA’S INNOVATIONS.”



MORE THAN 1 MILLION AVEA CUSTOMERS USE INNOVATIVE MOBILE APPLICATIONS FOR A VARIETY OF OPERATING SYSTEMS ESPECIALLY FOR ANDROID AND IOS.

CONTINUING ITS STUDIES FOR 4G, AVEA WAS THE FIRST OPERATOR TO GET LTE ADVANCED TRIAL PERMIT. AVEA PERFORMED A TEST REACHING 300 MBPS IN APRIL 2013.

avea
Hayat değişir Avea'yla

45%

STRONGEST SUBSCRIBER BASE IN THE MARKET WITH ITS POSTPAID SUBSCRIBER RATIO OF 45%.

916 THOUSAND

AVEA CONTINUES TO BE THE LEADER IN NUMBER PORTABILITY FOR SEVEN QUARTERS.

205 COUNTRIES

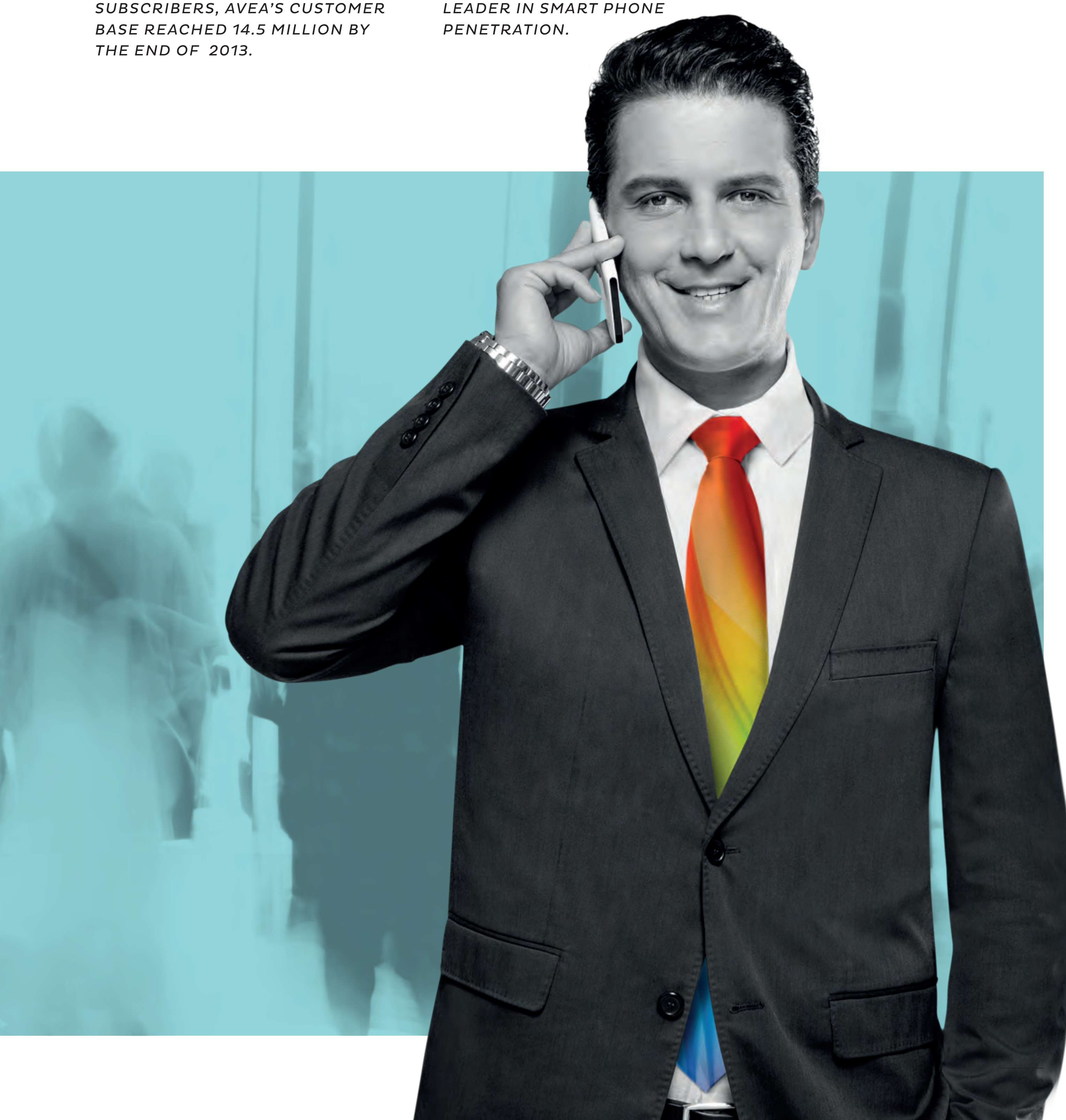
AVEA HAS AN INTERNATIONAL ROAMING AGREEMENT WITH 677 OPERATORS IN 205 COUNTRIES.

14.5 MILLION

GAINING MORE THAN 1 MILLION NET SUBSCRIBERS, AVEA'S CUSTOMER BASE REACHED 14.5 MILLION BY THE END OF 2013.

37%

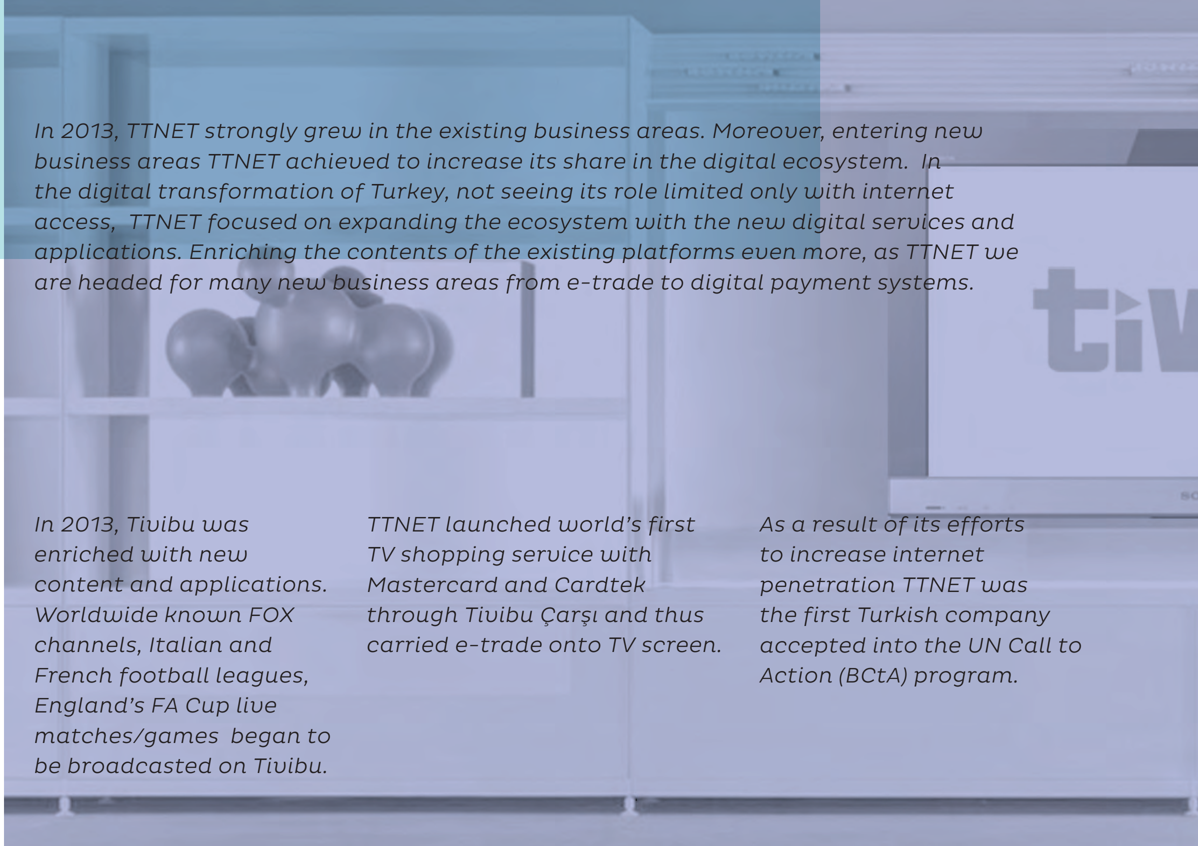
AVEA IS THE MARKET LEADER IN SMART PHONE PENETRATION.



GROWING WITH INNOVATIONS

Enriching the contents of the platforms even more, as TTNET we are headed for many new business areas from e-trade to digital payment systems. Totally changing the TV broadcasting approach in Turkey, Tivibu platform continued to grow in 2013 as well.

"I OPEN TO THE WORLD EVERYDAY WITH TIVIBU!"



In 2013, TTNET strongly grew in the existing business areas. Moreover, entering new business areas TTNET achieved to increase its share in the digital ecosystem. In the digital transformation of Turkey, not seeing its role limited only with internet access, TTNET focused on expanding the ecosystem with the new digital services and applications. Enriching the contents of the existing platforms even more, as TTNET we are headed for many new business areas from e-trade to digital payment systems.

In 2013, Tivibu was enriched with new content and applications. Worldwide known FOX channels, Italian and French football leagues, England's FA Cup live matches/games began to be broadcasted on Tivibu.

TTNET launched world's first TV shopping service with Mastercard and Cardtek through Tivibu Çarşı and thus carried e-trade onto TV screen.

As a result of its efforts to increase internet penetration TTNET was the first Turkish company accepted into the UN Call to Action (BCtA) program.

83%	1.8 MILLION	4,500
IN 2013, THE NUMBER OF SUBSCRIBERS OF TURKEY'S FIRST AND ONLY IPTV PLATFORM TIVIBU EV (TIVIBU HOME) REACHED 286 THOUSAND INCREASING BY 83%, COMPARED TO THE PREVIOUS YEAR.	THE TOTAL NUMBER OF TV SUBSCRIBERS OF THE GROUP EXCEEDED 1.8 MILLION.	170 CHANNELS AND OVER 4,500 ARCHIVES

GROWING WITH INTEGRATED COMMUNICATION SOLUTIONS

With our integrated services, TT Virtual Operator, TT Virtual Operator Sip Trunk and Teleconference Room, we give our customers the opportunity to enjoy IP technology and new generation devices. Moreover, we're ending the cost and difficulty of installation and maintenance.

"I CAN MANAGE ALL COMMUNICATION EASILY"

TT VIRTUAL OPERATOR

TT Virtual Operator is a service that provides advanced operator features to our customers without having to face any cost and difficulty of operating, installation and maintenance. TT Virtual Operator provides communication connecting locations, free of charge.

SIP TRUNK OPERATOR

Through the innovative SIP infrastructure, Sip Trunk Operator provides communication between the locations where there is operator investment and locations with Virtual Operator, free of charge.

TELECONFERENCE ROOM

Providing high definition audiovisual communication in real dimensions with manageable features, Teleconference Room service gives our customers the opportunity to make face to face quality meetings without cost and time loss.

WE CAN PROVIDE COMPREHENSIVE SERVICES IN ACCORDANCE WITH CUSTOMER NEEDS THROUGH INTEGRATED COMMUNICATION SERVICES.

TÜRK TELEKOM GROUP

OJER TELEKOMÜNIKASYON A.Ş.
55%

UNDERSECRETARIAT OF TREASURY OF THE REPUBLIC OF TURKEY
30%

PUBLICLY TRADED
15%

34,441

NUMBER OF EMPLOYEES OF TÜRK TELEKOM GROUP

TÜRK TELEKOM GROUP COMPANIES

	TÜRK TELEKOM	avea Hayat değişir Avea'yla	TTNET	TÜRK TELEKOM INTERNATIONAL
YEAR OF ESTABLISHMENT	***1995***	***2004***	***2006***	***2010***
CORE BUSINESS	*Telecommunication*	*Mobile Communication*	*Internet Service Provider*	*Wholesale Voice, Data and Infrastructure Carrier*
SHARE OF TÜRK TELEKOM	*--*	*90%*	*100%*	*100%*
NUMBER OF EMPLOYEES	*21,849*	*1,981*	*675*	*319*
WEB SITE	*www.turktelekom.com.tr*	*www.avea.com.tr*	*www.ttnet.com.tr*	*www.turktelekomint.com*

Turkey's leading telecommunication and convergence technology company Türk Telekom Group with its subsidiaries, provides fast, quality, economic and value-added services and carries telecommunication to the future.

innova	assistt	ARGELA	sebit
1999	**2007**	**2004**	**1988**
Information Solutions and Technology	**Customer Services and Call Center**	**Telecommunication Solutions**	**Online Educational Content Developer & Services Provider**
100%	**100%**	**100%**	**100%**
868	**8,292**	**178**	**279**
www.innova.com.tr	**www.assistt.com.tr**	**www.argela.com**	**www.vitaminegitim.com** **www.adaptivecurriculum.com** **www.sebit.com.tr**

TÜRK TELEKOM GROUP

TELECOMMUNICATION

TÜRK TELEKOM

MOBILE COMMUNICATION

avea
Hayat değişir Avea'yla

14.5 MILLION
Subscribers

TL 3.8 BILLION
Sales Revenue

TL 584 MILLION
EBITDA

INTERNET SERVICE PROVIDER

TTNET

6.3 MILLION
Total Subscribers

620 THOUSAND
Fiber Subscribers

1.8 MILLION
Number of TV Subscribers

MORE THAN 40,000 KM FIBER NETWORK ABROAD

WHOLESALE VOICE, DATA AND INFRASTRUCTURE CARRIER

TÜRK TELEKOM INTERNATIONAL

8,292 EMPLOYEES IN 15 CITIES

Providing call center services to major companies in Turkey with 8,292 call center employees in 15 cities of Turkey

CUSTOMER AND CALL CENTER SERVICES

assistt

IT SOLUTIONS

innova

Projects in **MORE THAN 20** Countries

Exporting to **28 COUNTRIES ON 3 CONTINENTS**

TELECOMMUNICATION SOLUTIONS

ARGELA

Next generation telecommunication solutions in Turkic Republics, South and North Africa, Middle East, Balkans, Europe, USA, and South America

Providing e-education solutions with 25 years of experience to Turkey, USA, Europe, Middle East and Asia

ONLINE EDUCATIONAL CONTENT DEVELOPMENT& SERVICES

sebit

VISION, MISSION AND CORPORATE VALUES

Türk Telekom aims to provide fast, high-quality and affordable services to its customers anywhere and anytime, along with customer-focused integrated communication solutions with our understanding of bringing the future to communication.

VISION

To be the preferred communication operator of the future.

MISSION

To provide fast, high-quality and affordable services to our customers anywhere and anytime by offering customer-focused integrated communication solutions.

OUR STRENGTHS

Solidarity and team spirit

OUR CORPORATE VALUES

- *Customer-focused*
- *Trustworthy*
- *Innovative*
- *Responsible and dedicated*

HISTORY 2013

MAY 2013

TTNET and Sobee, both of which are wholly owned subsidiaries of Türk Telekom, are merged by transferring Sobee's assets and business entirely to TTNET. Official registration of the merger was completed on May 13, 2013.

From the profit of the year of 2012 a total gross of TL 2,413,279,823 cash dividend was paid to shareholders.

JUNE 2013

The opening ceremony of the 17th center of AsissTT, a Türk Telekom Group company and leader in the call center industry, and renewed building of Türk Telekom's Amasya Provincial Directorate took place. The Amasya Call Center will provide employment for 145 people in the first phase with a total capacity of 261 tables.

OCTOBER 2013

Türk Telekom Board of Directors has resolved in accordance with Clause 7 of Articles of Association of our Company and paragraph 3 of Clause 31 of Capital Markets Law that all procedures required by relevant legislation, including Capital Markets Board regulations, shall be satisfied, one or more debt capital instrument shall be issued overseas without domestic public offering within one year after the approval of the Capital Markets Board in the form of a conventional bond and/or sukuk at a maximum value of USD 1 billion, or its equivalent (including USD 1 billion or its equivalent) and at a maximum final maturity of 10 years (including 10 years), in foreign currency and/or Turkish Liras. Barclays Bank Plc., BNP Paribas, Emirates NBD Capital Limited, J.P. Morgan Securities Plc. and Standard Chartered Bank were officially mandated for the bond issuance, and application to the Capital Markets Board will be made in due course.

Türk Telekom became the first private integrator of e-Billing in the telecommunication sector, which was officially mandated by Revenue Administration. With this innovative service, Türk Telekom will provide cost advantages, as well as labor and time efficiency to a diversity of companies, ranging from SMEs, public institutions and large corporations.

NOVEMBER 2013

Türk Telekom signed a strategic partnership with USA based Akamai. The partnership, which will optimize the network efficiency of Turkey's Internet infrastructure, was announced at a press conference in London.

Türk Telekom launched a new era in digital life transformation by making related technologies accessible to all through the smart home phone, for the first time in the world designed by an operator. Home phone usage habits are destined to change radically. The smart home phone enables users to access the Internet, watch television, enjoy gaming, listen to music and connect to social networks.

DECEMBER 2013

On December 10, 2013 with the resolution adopted by Board of Directors, Türk Telekom announced the restructuring of its leadership by combining the roles of the Group CEO and the General Manager into a single CEO position and removing the Group CFO position. Rami Aslan, who has been serving on the Board of Türk Telekom and as CEO of Oger Telecom, was appointed as the CEO of Türk Telekom as of December 10, 2013.

HIGHLIGHTS

In 2013, there were a lot of important developments in Türk Telekom which is ranked among the world's top communication and convergence technology companies.

MARCH 2013

Two Stevie® awards for Türk Telekom

Türk Telekom received awards in two categories at the Stevie® Awards for Sales & Customer Service, one of America's most prestigious industry award ceremonies. Türk Telekom garnered the bronze award in the categories of "Customer Service Complaints Team of the Year" and "Innovation in Customer Service" at the ceremony held in Las Vegas on February 25.

Türk Telekom joins International Cloud Securities Alliance.

Türk Telekom became a member of the Cloud Securities Alliance (CSA), which is the most prestigious provider of the cloud computing industry. The CSA enables the sharing of updated information on the sector with its members. It also organizes "Cloud Security" training programs for its members through online activities. The union conducted R&D activities to raise the standards of cloud security and informs the cloud ecosystem on its website, as well as on industry blogs, and in the press and social media. A non-profit organization, CSA runs works solely to provide security in Cloud information Technologies. Organizing training programs according to sector needs and sharing information with the industry, are the CSA's more than 130 members. These include sector players and related organizations that develop solutions in this field.

Collaboration with Turkish Employment Agency

Türk Telekom is set to provide training to 946 young people in cooperation with the Employment Agency. The Turkish Employment Agency has committed to satisfying the qualified employee needs of the communication sector with its "Intern Technician Project" included in on-the-job training programs. As part of this project, 473 of the young people to receive training will be hired by Türk Telekom as technicians, while other participants will have increased their employment opportunities.

APRIL 2013

Türk Telekom entertains the children.

For the past six years, Türk Telekom has been the main sponsor of the April 23rd International Children's Festival organized by TRT since 1979. This year, 750 children from 45 countries joined the festival held in İzmir from April 5th to 23rd.

Free Calls from 7 p.m. to 7 a.m.

Türk Telekom continued to develop campaigns in accordance with customer needs. In the second quarter of 2013, we launched the "Free Calls from 7 p.m. to 7 a.m." campaign. During the campaign, consumers enjoyed free domestic calls for 1,000 minutes per month.

Türk Telekom eliminates barriers in the Telecommunication Sector...

Unburdened Message Services included in Türk Telekom's "Eliminating the Barriers in Communication Project" were introduced to the public at a ceremony held in Ankara in April by Binali Yıldırım, the Minister of Transportation, Maritime Affairs and Communication. Now, hand speech impaired individuals can access the public and private sector institutions' and organizations' landline free of charge via text message (SMS) from their home and cell phones to communicate their requests, complaints and suggestions, thanks to this service which is a first for Turkey. The number of organizations involved in the project is rising daily across a wide range of sectors such as transportation, security and health.

MAY 2013

Avea inTouch 2 was launched.

Avea launched its own brand, and the second Avea smartphone, inTouch 2, which has a 4-inch screen, 1 GHz processor, 5 MP camera and pre-installed applications and three-dimensional Avea theme. To further expand its smartphone user base, Avea defined its goal of "touching more consumers' lives" through the Avea inTouch 2.

Türk Telekom is the Sector Leader.

Türk Telekom was the number two company, and the sector leader in the telecommunication industry in terms of social security support contributions in 2012. Türk Telekom also paid the highest social security support contribution in 2009 and 2010, and was one of the highest two in 2011.

Pantel renamed Türk Telekom International

The brand and logo of the company were changed to Türk Telekom International (TTI), which joined the group with the acquisition of Invitel International in 2010, having served under the Pantel international brand ever since.

JUNE 2013

Hakam Kanafani is selected Best CEO.

Türk Telekom registered great success in the Survey of Investor Relations 2013 organized by Thomson Reuters Extel, which conducts the most prestigious professional research and surveys in the investor relations area. Türk Telekom Group CEO, Mr. Hakam Kanafani was selected "Best CEO for Investor Relations" in Turkey among all companies listed in the survey as of 2012. Mr. Kanafani's success in this area was confirmed by the investment world for two consecutive years.

JULY 2013

Non-binding offer issued to acquire Digiturk

A non-binding offer, amounting to USD 530 million, issued by Türk Telekom to acquire 53% of the shares of Krea İçerik Hizmetleri ve Prodüksiyon A.Ş. (Digitürk).

→ **HIGHLIGHTS**

Leading by far in 2013, Türk Telekom Group broke new grounds in the sector.

AUGUST 2013

Türk Telekom is the most successful company in terms of customer complaint management.

Türk Telekom emerged as the most successful telecommunication company according to the survey of "Comparative Analysis on GSM Sector and Telecommunication Complaints in 2012" conducted by www.sikayetvar.com.

SEPTEMBER 2013

Searching for Entrepreneurs with PILOTT

Türk Telekom introduced "Speeding up the PILOTT-TT Initiatives Program" in support of entrepreneurs. Numerous such entrepreneurs have taken the opportunity of collaborating with Türk Telekom in the PİLOTT program, which champions innovation.

OCTOBER 2013

Hakam Kanafani ranked among the Most Influential People.

Once again, Hakam Kanafani appeared on the "GTB Power 100-The Most Powerful Executives" list compiled by Global Telecoms Business, the most prestigious business title of the sector. Mr. Kanafani's name appeared on the list for the fourth occasion.

NOVEMBER 2013

Smarter home phones with Türk Telekom

Türk Telekom launched a new era in digital life transformation by making related technologies accessible to all through the smart home phone, for the first time in the world designed by an operator. Home phone usage habits are destined to change radically. The smart home phone enables users to access the Internet, watch television, enjoy gaming, listen to music and connect to social networks. Home phone users can access to the Internet and check their e-mails, and work on office files and access Facebook, Twitter and other social media applications with the TT E4 smart home phone which has a 4" screen and is the first smart home phone with the latest Android Jelly Bean operating system.

Best Investor Relations Website

Türk Telekom achieved great success in being selected the Best of the Global Telecommunications Industry within the investor relations website category at the 15th IR Global Rankings Awards out of hundreds of companies evaluated worldwide.
At the Award Ceremony, which took place on November 28, 2013 at the London Stock Exchange, Türk Telekom also received awards for 3rd place in the category of Best Investor Relations Website in the World and 3rd place in the category of Best Investor Relations Website in Europe, ranking above more than 300 global powerhouses from a variety of industries.

CMB application for bond issue

An application was made to Capital Markets Board (CMB) regarding the issuance abroad of a bond with a maximum value of USD 1 billion or its equivalent (including USD 1 billion or its equivalent) with a maximum maturity of 10 years (including 10 years), in foreign currency and/or Turkish Liras.

Partnership with Akamai

Türk Telekom has signed a strategic partnership with Akamai for high-quality delivery of online content and video. The partnership, which will optimize the network efficiency of Turkey's current Internet infrastructure, was announced at a press conference in London attended by Türk Telekom and Akamai CEO Content delivery system built by this partnership will ensure a significant increase in speed and performance particularly when accessing social media and popular online video sites With this business partnership, Türk Telekom joins a select group of leading telecommunications companies to have entered into a strategic partnership with Akamai

Türk Telekom International, Best Global Wholesale Carrier

The wholly owned subsidiary of Türk Telekomünikasyon A.Ş., and one of the leading operators in Central and Eastern Europe, Turkey, the Caucasus and the Middle East, Türk Telekom International (Formerly Pantel) won the award for "The Best Central and Eastern European Wholesale Carrier" at the Capacity Europe 2013 Awards held in Amsterdam on November 19, 2013, at what is one of the key events for the international data and wholesale voice business.

DECEMBER 2013

TASIM Project was signed

The consortium led by Türk Telekom signed the TASIM Project in Baku. TASIM Project, originated by Türk Telekom, heralds the world's longest high quality and protected fiber optic Internet and data communication network, which will stretch 15 thousand kilometers between Western Europe and East Asia. The line will render Istanbul a fiber communication crossroads, where approximately a quarter of the line will pass through Türk Telekom's infrastructure.

Change in Top Management at Türk Telekom

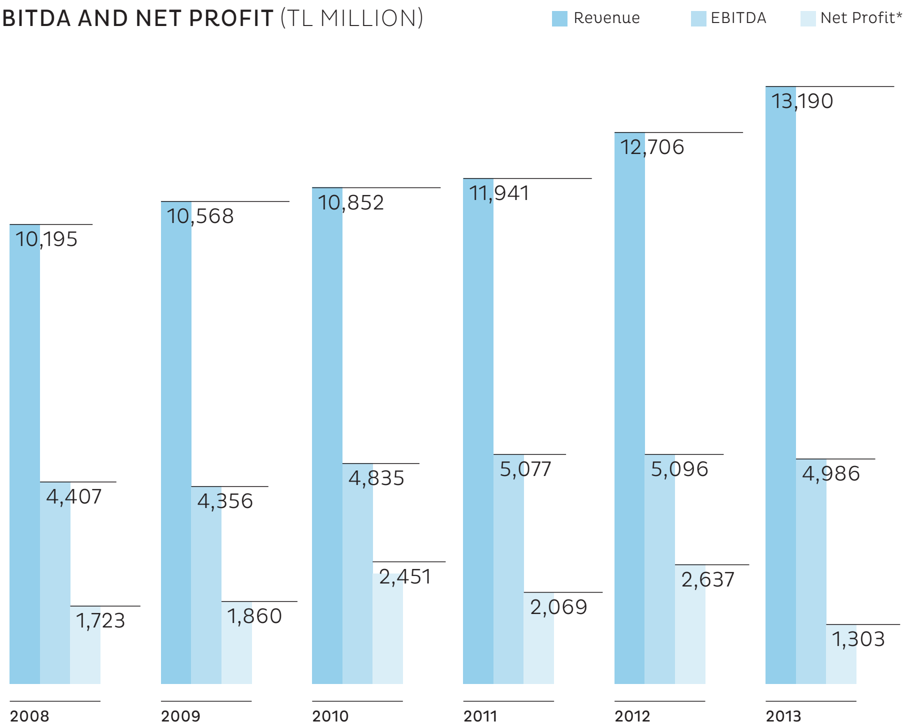
Rami Aslan, who had been serving on the board of Türk Telekom and as CEO of Oger Telecom, is appointed as CEO of Türk Telekom and a Member of Türk Telekom Executive Committee as of December 10, 2013.

KEY PERFORMANCE INDICATORS

CONSOLIDATED PERFORMANCE

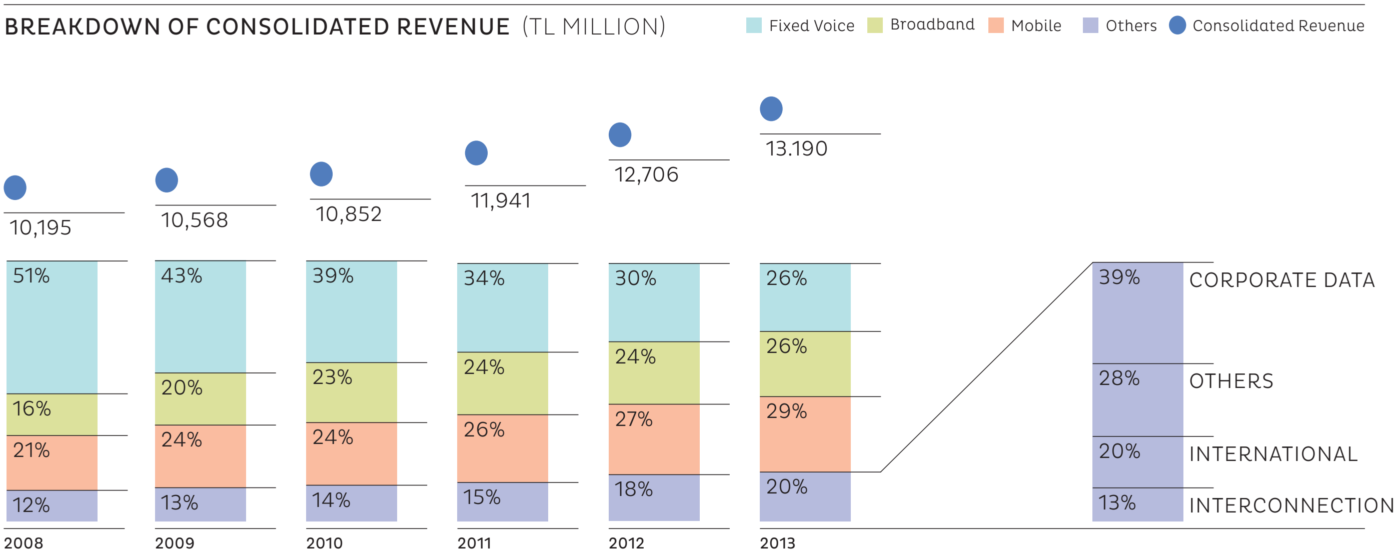
IMPORTANT INDICATORS: REVENUE, EBITDA AND NET PROFIT (TL MILLION)

Türk Telekom's consolidated revenue has recorded a cumulative growth rate of 5.3% between the years 2008 and 2013. While maintaining the EBITDA level, Türk Telekom has also increased the total group revenues. In 2013, consolidated revenues increased by 4% compared to the previous year. Excluding the Mobile Termination Rate cut effects, the increase in consolidated revenue amounted to 5%. On the other hand, EBITDA did not reflect the revenue growth due to voluntary retirement program and excluding the negative impact of the program EBITDA realized flat YoY. Due to the negative influence of the depreciation of Turkish lira against the dollar and euro, net profit of Türk Telekom Group decreased by 51% from 2012 and totaled TL 1,303 million.



* After minority interest

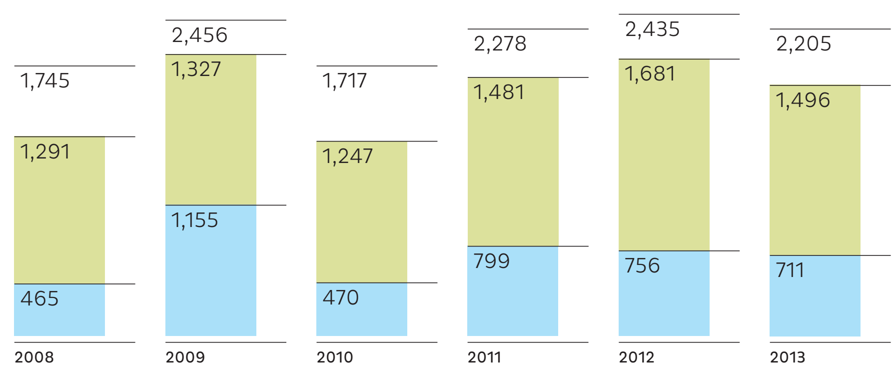
BREAKDOWN OF CONSOLIDATED REVENUE (TL MILLION)



While its consolidated revenue is growing, Türk Telekom Group managed to increase the shares of mobile and broadband services in total revenues, which are the fastest growing market segments. The share of broadband revenues in total sales increased to 26% in 2013 from 16% in 2008. Likewise the share of mobile segment surged to 29% in 2013 from 21% in 2008. 55% of total revenues are composed of mobile and broadband revenues, while fixed voice revenues stay the course to be the third largest revenue item.

CAPEX (TL MILLION)

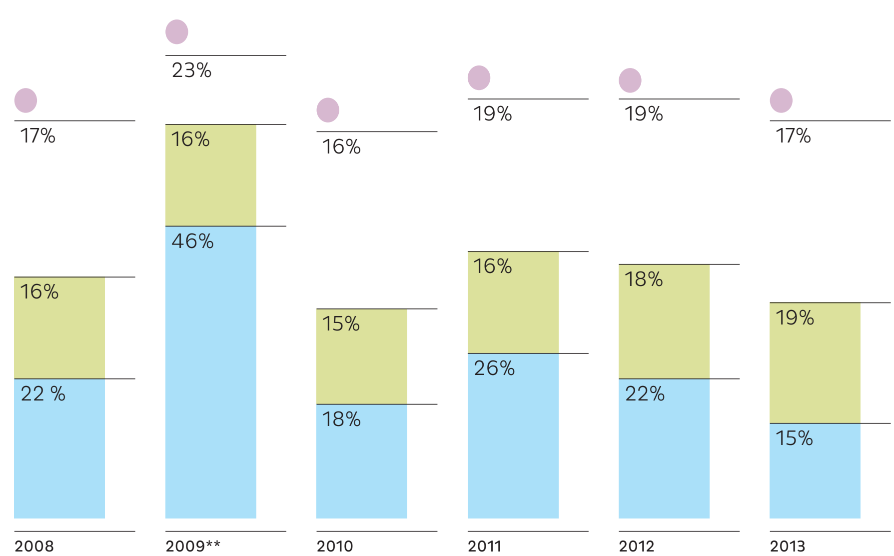
In 2013, Türk Telekom Group investments were realized in line with guidance and consolidated investments reached TL 2.2 billion. Since 2008, the share of fixed line activities has been taking the largest share in total investments.



* Eliminations were made between the fixed line and mobile

CAPEX TO SALES (%)

Parallel to the decline in capital expenditures, the ratio of CAPEX to sales also decreased compared to previous years. Fiber and base station investments accounted for the largest share in investments in fixed line and mobile respectively.

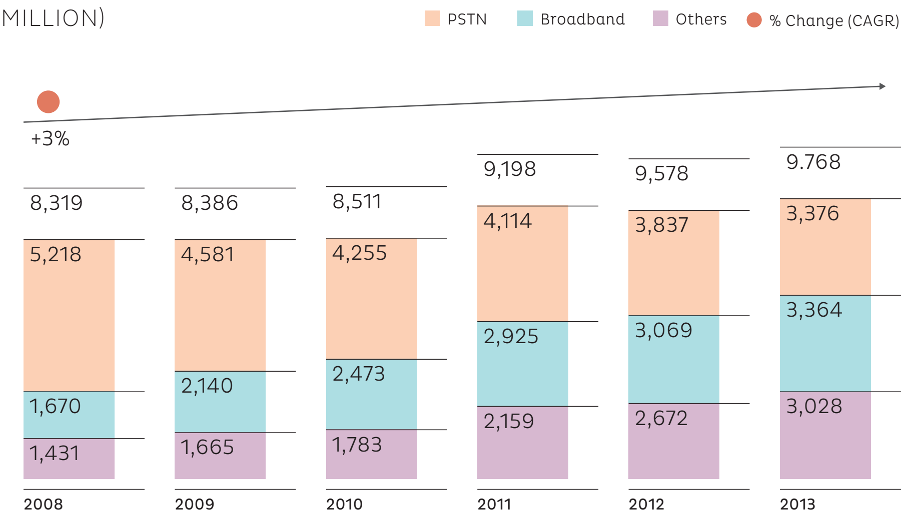


** The mobile capital expenditures in 2009 consist of 3G license fees.

→ **KEY PERFORMANCE INDICATORS**

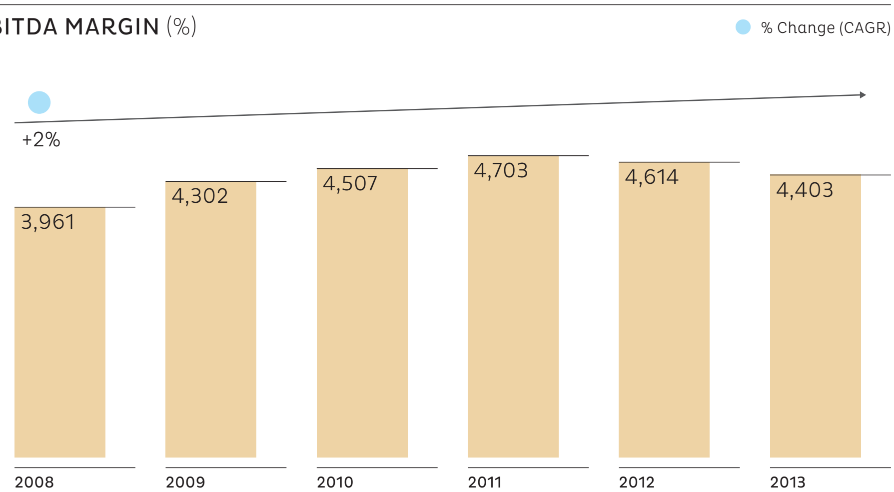
FIXED LINE PERFORMANCE

FIXED LINE REVENUE BREAKDOWN (TL MILLION)



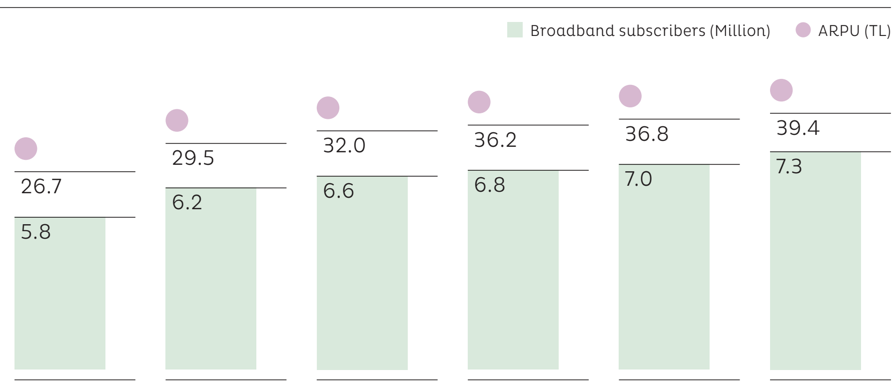
In 2013, Türk Telekom Group increased the revenues from fixed line activities by 2%.

FIXED LINE EBITDA (TL MILLION) AND EBITDA MARGIN (%)



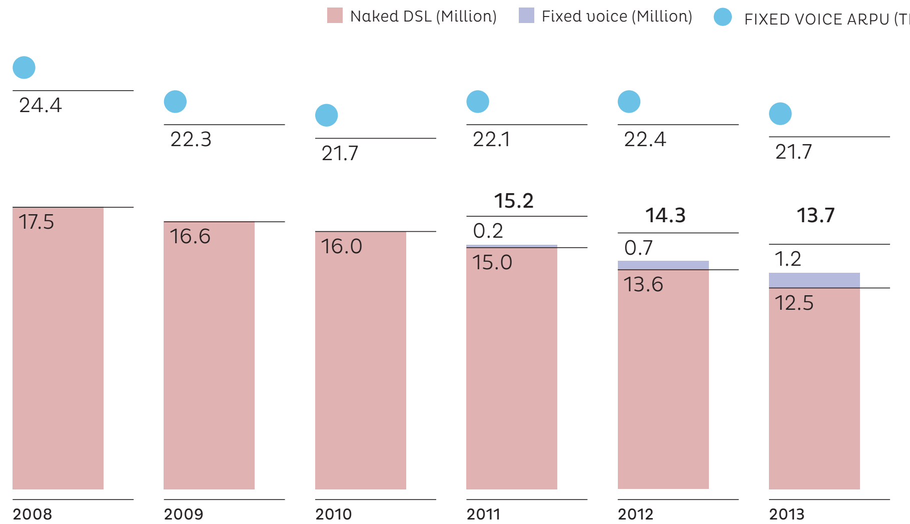
EBITDA of fixed line business reached TL 4,403 million with an EBITDA margin of 45%. Contribution of broadband revenues to total revenue increased year over year in the fixed line segment which was achieved via subscriber and ARPU growth.

BROADBAND ARPU AND SUBSCRIBERS



Year over year ARPU growth in 2013 is coming from mainly upsell and inflationary price adjustments effect.

TOTAL ACCESS LINE AND ARPU



Looking at the total access line, the decrease in fixed voice lines relatively slowed down.

Türk Telekom Group achieved to mitigate the decrease in line loss through brand partnership campaigns offered to voice subscribers. The 70% increase in the number of naked DSL subscribers also contributed to the slowdown in the decrease of fixed voice lines.

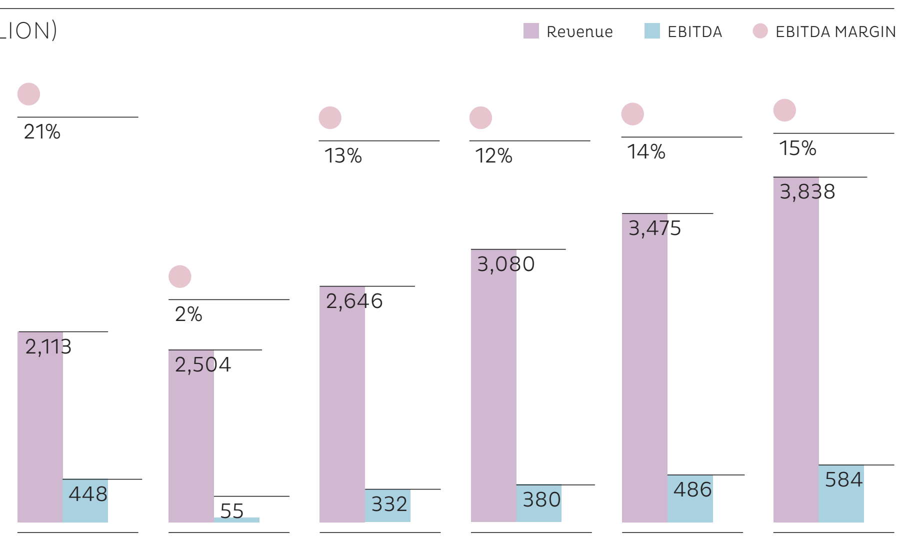
Türk Telekom Group reached to 81 cities of Turkey with its 182,000 km fiber line. In 2013, the Group raised the numbers of FTTC and FTTH/B to 6.5 million and 2.5 million. The number of fiber subscribers increased over 100% compared to the previous year to reach 624 thousand users. The average data usage per month reached 38 GB partially due to the contribution of fiber subscribers, while 84% of subscribers preferred unlimited packages to use more data.

In addition to the broadband activities with the largest contribution, the corporate data segment has also been a major contributor to the fixed line. Accounting for approximately 10% of the total fixed line revenues, the corporate data revenues reached TL 1,009 million with a 11% annual increase.

MOBILE PERFORMANCE

MOBILE REVENUES AND EBITDA (TL MILLION)

The mobile operator Avea, of which Türk Telekom is the majority shareholder, increased its revenues and EBITDA faster than the market average in 2013. The financial and operational performance was negatively affected by the price competition since 2009, due to the introduction of mobile number portability. Avea maintained its undisputable leadership in mobile number portability with 916,000 new subscription in 2013 and enhanced its subscriber base by more than 1 million new users overall to increase the total number of subscribers to 14.5 million users.



→ **KEY PERFORMANCE INDICATORS**

CONSOLIDATED SUMMARY INCOME STATEMENT (TL MILLION)

Türk Telekom Group	2008	2009	2010	2011	2012	2013	Annual Change (2012-2013) (%)
Revenue	10,195	10,568	10,852	11,941	12,706	13,190	4
Net Operating Expenses excluding Depreciation and Amortization	(5,788)	(6,213)	(6,017)	(6,864)	(7,610)	(8,204)	(8)
Earnings Before Interest Tax Depreciation and Amortization (EBITDA)	4,407	4,356	4,835	5,077	5,096	4,986	(2)
Depreciation and Amortization	(1,632)	(1,558)	(1,524)	(1,577)	(1,697)	(1,780)	(5)
Operating Profit	2,775	2,798	3,311	3,501	3,400	3,207	(6)
Net Financial Income/ (Expenses)	(673)	(438)	(184)	(891)	(33)	(1,500)	n.a.
Tax	(502)	(680)	(799)	(710)	(773)	(439)	43
Net Profit for the Period (Before Minority Interest)	1,598	1,680	2,328	1,900	2,593	1,267	(51)
Net Profit for the Period (For the Main Shareholder)	1,723	1,860	2,451	2,069	2,637	1,303	(51)

CONSOLIDATED REVENUE
In 2013, Group's consolidated revenue increased by 4% (increase: TL 484 million) compared to the previous year to reach TL 13.2 billion. The growth in sales revenue was particularly achieved by the increase in mobile (increase: TL 363 million) and broadband (increase: TL 295 million) revenues.

NET OPERATING EXPENSES
In 2013, net operating expenses (excluding the amortization and depreciation expenses) was up by 8% (increase: TL 594 million) compared to the previous year to reach TL 8.2 billion, particularly due to the increase in cost of sales (increase: TL 156 million) and increase in personnel expenditures because of the voluntary retirement program (increase: TL 94 million).

EARNINGS BEFORE INTEREST TAX DEPRECIATION AND AMORTIZATION (EBITDA)
In 2013, the consolidated earnings before interest tax amortization and depreciation (EBITDA) reached TL 4,986 billion with an EBITDA margin of 38%.The EBITDA in mobile service was up by 20% compared to the previous year and reached TL 584 million from TL 486 million with a mobile EBITDA margin of 15% for 2013. The fixed line EBITDA decreased by 5% compared to the previous year due to the negative impact of the voluntary retirement program and totaled TL 4.4 billion with a fixed line EBITDA margin of 45%.

AMORTIZATION AND DEPRECIATION
The amortization and depreciation in 2013 increased by 5% and totaled TL 1,780 million from TL 1,697 million in 2012.

OPERATING PROFIT
Türk Telekom Group's consolidated operating profit for the year 2013 amounted to TL 3,207 million due to the impact of the increase in amortization and depreciation expenses.

NET FINANCIAL INCOME/EXPENSE
In 2013, a net financial loss of TL 1,500 million was recorded mainly due to the depreciation in Turkish lira against USD and Euro. The net financial loss in the same period of the previous year was TL 33 million.

TAX
In 2013, tax expenses dropped by 43% compared to the previous year and totaled TL 439 million due to the increase in earnings before tax. The effective tax rate has been recorded as 26%.

NET PROFIT
The consolidated net income of TL 2.6 billion in 2012 decreased to TL 1.3 billion in 2013 (TL 37 kurus per share), due to the depreciation of Turkish lira.

CONSOLIDATED SUMMARY BALANCE SHEET (TL MILLION)

TL million	2008	2009	2010	2011	2012	2013
Intangible assets	2,734	3,286	3,517	3,540	4,050	4,536
Tangible assets	6,588	6,920	7,435	8,156	8,347	8,350
Other assets	2,295	2,441	2,929	3,499	3,850	4,294
Liquid assets (Cash and cash equivalents)	1,042	754	1,219	979	961	1,064
Total Assets	**12,659**	**13,401**	**15,100**	**16,174**	**17,208**	**18,245**
Capital	3,260	3,260	3,260	3,260	3,260	3,260
Reserves and Retained Earnings	1,853	2,162	2,915	2,509	3,195	2,067
Financial Liabilities	3,455	3,974	4,199	5,346	6,038	8,334
Provisions for Severance Payments	667	634	607	563	749	585
Other Liabilities	3,424	3,371	4,119	4,496	3,965	3,998
Total Equity and Liabilities	**12,659**	**13,401**	**15,100**	**16,174**	**17,208**	**18,245**

TOTAL ASSETS

In 2013, total assets increased by 5% from 2012 to reach TL 18.2 billion. The total asset growth was mainly due to the increase in the intangible assets such as the investment expenditures within the scope of IFRIC 12 and other assets (increase in commercial receivables). The growth in the assets was financed primarily with the increase in interest bearing liabilities.

TOTAL EQUITY AND LIABILITIES

On the liability side, Provisions for Severance Payments decreased by a certain extent as a result of the voluntary retirement program.

OPERATIONAL INDICATORS

Continuing its momentum of growth in 2013, Türk Telekom added over 1 million new subscribers to its mobile subscribers and 300 thousand new subscribers to its broadband subscribers.

Fixed Voice Operational Indicators	2008	2009	2010	2011	2012	2013	Annual Change (%)
Total Number of Access Lines (million)	17.5	16.6	16.0	15.2	14.3	13.7	(4)
Fixed Voice ARPU (TL)	24.4	22.3	21.7	22.1	22.4	21.7	(3)
Fixed Voice (minutes)	129.7	114.5	114.6	107.3	104.4	102.4	(2)

The “Free GSM Calls from 7 p.m. to 7 a.m.” campaign which was offered to customers in 2013, the Company worked on minimizing the termination of PSTN lines. In addition, new campaigns provided incentives to customers to switch to the Home Advantage tariff plans. Brand cooperation projects involving discounts and gift cards were introduced to prevent line termination by customers. Tatlıya Bağlayalım campaign was introduced for customers, who have overdue balances. Offering different options to customers, this campaign allowed collection of balances for overdue or uncollectible invoices.

Fixed Broadband Operational Indicators	2008	2009	2010	2011	2012	2013	Annual Change (%)
Number of Fixed Broadband Connections (million)	5.8	6.2	6.6	6.8	7.0	7.3	4
Fixed Broadband ARPU (TL)	26.7	29.5	32	36.2	36.8	39.4	7

Modern communications infrastructure and superior service

In 2013, Türk Telekom continued to provide high speed internet access to its customers with a modern communication infrastructure and superior service quality, through fiber transformation activities carried out across 81 cities of Turkey. In 2013, Türk Telekom, Turkey’s leader in fiber network with a fiber length of 182,000 km, provided fiber infrastructure to more than 6.5 million households that reached through FTTC (fiber-to-the-cabinet), in addition to that more than 2.5 million households that reached through FTTH/FTTB (fiber-to-the-home and fiber-to-the-building). As of the end of 2013, the number of broadband connections totaled 7.3 million, while the number of fiber subscribers reached 624,000. The share of unlimited internet subscribers surged to 84% by the end of 2013 in line with the increasing data use and the demand for faster access. In December 2013, the average data usager per user amounted to 38 GB. 89% of subscribers use an 8Mbps or faster internet connection. In 2013, the broadband ARPU equaled to TL 39.4 thanks to the incentives at the high-end packages and price corrections based on the inflation.

TTNET, the retail internet service provider of Türk Telekom, maintained its leadership position in the market with innovative campaigns and products. Introduction of the 1,000 Mbps package as a result of constant increase in speed and “[okula dönüş - returning back to school]” campaigns stand out among TTNET’s new offerings. The company has a retail broadband market share of 76% as of the third quarter of 2013.

Mobile Operational Indicators	2008	2009	2010	2011	2012	2013	Annual Change (%)
Total Number of Mobile Subscribers (million)	12.2	11.8	11.6	12.8	13.5	14.5	8
Total Number of Prepaid Mobile Subscribers (million)	8.1	7.6	7	7.2	7.5	8.0	6
Total Number of Postpaid Mobile Subscribers (million)	4.1	4.3	4.7	5.6	6.0	6.5	10
Mobile ARPU – Blended (TL)	15.7	16.7	18.6	20.4	21.6	22.3	3
Mobile MoU (minutes)	172.9	242.5	262.6	304.7	341.5	366.2	7
Number of Communication Towers	10,203	13,625	16,040	21,523	24,106	27,415	14
Population Coverage (%) 2G	95.2	96.5	96.7	97.6	97.9	98.2	
Population Coverage Rate (%) 3G			78.9	79.4	79.4	84	

The most preferred GSM operator: Avea

With new subscriber gains of over 1 million, Türk Telekom Group's mobile operator Avea reached 14.5 million subscribers in 2013. Also as of the end of 2013, Avea has become the most preferred GSM operator with 916,000 net subscription under number portability; thereby increasing its market share to 20.9%. 45% of subscribers use postpaid lines, while the average revenue per user reached TL 22.3. Avea continued to provide its subscribers with the opportunity to make long calls with 366.2 minutes of call on average.

Avea performed another successful year in 2013 with 10% revenue increase and 20% EBITDA growth. Displaying a solid performance both in the voice and data segment, the Company reached a record level of revenue with TL 3.83 billion and achieved the highest growth rate in the market with 50% increase in mobile data revenues. In 2013, more than TL 710 million was invested in mobile network and channels in order to further improve the quality and productivity, whereas the number of communication towers exceeded 27,000 by the end of the year.

Avea, the youngest operator in Turkey, continued its innovative offerings also in 2013. The unique SEÇ tariff plans allowed the subscribers to design their packages as per their call, SMS, data and device needs, while the BIZ tariff plans emphasized the group synergy. Introducing the first Avea branded smart phone "Avea inTouch" in 2012, Avea maintained its leadership in terms of smart phone penetration with 37%.

FINANCIAL RATIOS

Key Financial Ratios (%)	2008	2009	2010	2011	2012	2013
Total Liabilities / Equity (%)	148	147	145	180	167	242
Net Financial Debt / EBITDA (%)	55	74	62	86	100	146
Financial Debt / Equity (%)	68	73	68	93	94	156
Financial Debt / Total Debt (%)	46	50	47	51	56	65
Financial Debt / Total Assets (%)	27	30	28	33	37	65
Total Debt / Total Assets (%)	60	60	59	64	66	71

Increasing financial expenses parallel to the depreciation of TL against euro and dollar influenced the net profit figure for 2013. The net income of Türk Telekom Group was affected negatively by the financial expenses while the profitability also decreased. However, it is worth to note that the leverage is still below the market average.

→ **OPERATIONAL INDICATORS**

INVESTMENTS

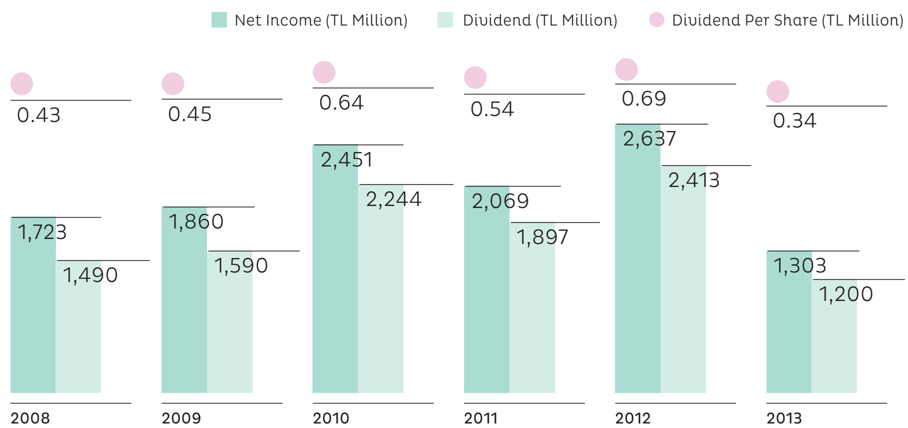
CAPEX (million TL)	2008	2009	2010	2011	2012	2013	2012-2013 Change (%)
Consolidated CAPEX	1,745	2,456	1,717	2,278	2,435	2,205	9

The 2009 figure also includes the 3G license fees of TL 450 million.

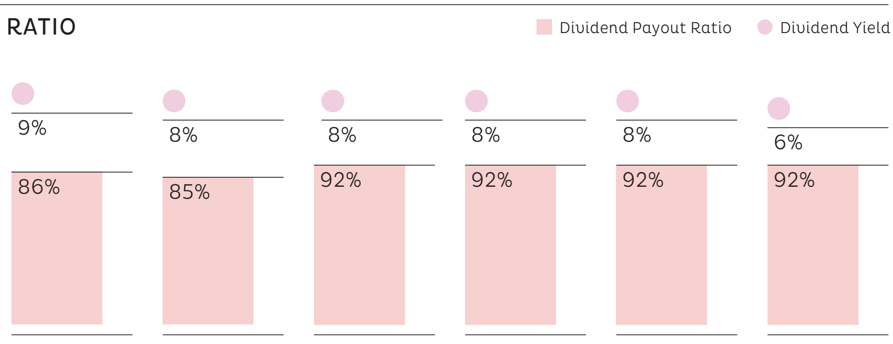
In 2013, Türk Telekom continued the fiber transformation of its infrastructure with an additional investment of 2.2 billion TL, while increasing the quality and productivity in mobile network and channels. The investment expenditures were lower this year since the big part of fiber transformation was completed in 2012.

DIVIDEND PAYMENT

Ranking in the top-tier under BIST dividend index, Türk Telekom has paid more than TL 9 billion dividends since 2008. A dividend payment of TL 1,200 million is planned to be distributed in relation to 2013 profits, which was held with a Board resolution subject to the General Assembly approval.



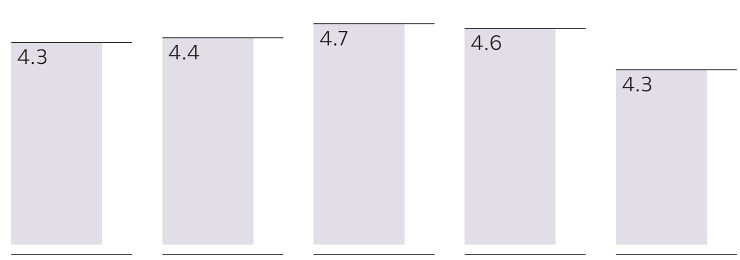
DIVIDEND YIELD AND DIVIDEND PAYOUT RATIO



** 2013 dividend is recommended by the Board of Directors and it is subject to General Assembly approval.

TAX PAYMENT BY YEARS (TL BILLION)*

In 2013, Türk Telekom Group made a contribution of TL 4.3 billion to the public finance through taxes and treasury share transferred to the state.



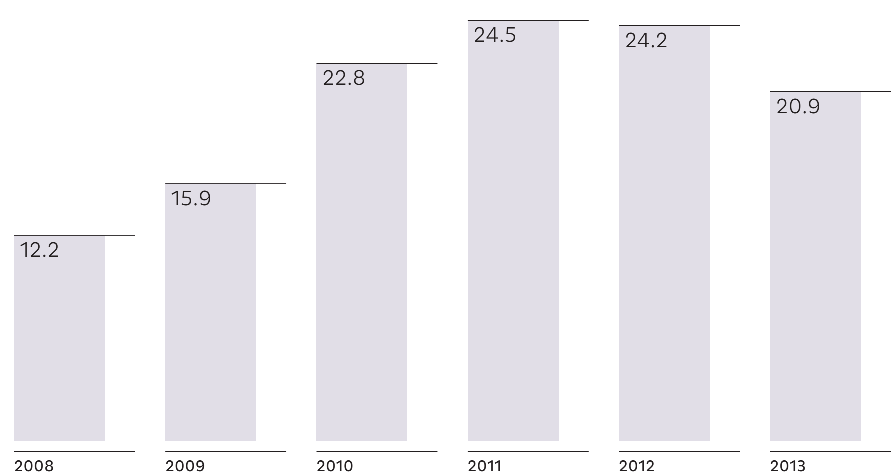
* Social Security support contribution not included.

Share Information	
Company Name	Türk Telekomünikasyon A.Ş.
Scope of Activity	Telecommunications and Technology Services
Stock Exchange	Borsa Istanbul
BIST Ticker	TTKOM
Bloomberg Ticker	TTKOM TI
Reuters Ticker	TTKOM IS
IPO Date	15 May 2008
Free Float	15%
Number of Listed Shares	525,000,000
Average Daily Trade Volume (01.01.2013-12.31.2013)	TL 26.2 million
Market Capitalization (12.31.2013)	TL 21 billion
Gross Dividend per Share 2013	TL 0.6895
Net Dividend per Share 2013	TL 0.5860
Closing Price (12.31.2013)	TL 5.96
Highest Price (01.01.2013-12.31.2013)	TL 8.88
Lowest Price (01.01.2013-12.31.2013)	TL 5.70
ISIN	TRETTLK00013

MARKET CAPITALIZATION (TL BILLION)

Performance in 2013 and expectations for 2014

At the beginning of the year, guidance was provided for Consolidated Revenue, EBITDA and CAPEX for the year 2013. The expected growth in consolidated revenues was announced in the region of 5 to 7% with a consolidated EBITDA expectation of 5.1 to TL 5.3 billion and expected investments of TL 2.2 billion. As of the end of 2013, consolidate revenues and EBITDA totaled TL 13.2 billion and TL 5 billion respectively, while investment expenditures totaled TL 2.2 billion.



Türk Telekom announces each year its expectations regarding the consolidated financial results of the Group at the Public Disclosure Platform. This guidance for expected results are prepared taking into consideration the macroeconomic conditions in the country including the officially announced growth and inflation forecasts. Evaluating the market conditions and competitive environment in the past and the upcoming periods for all of the sectors where Group companies operate, Türk Telekom consolidates forecasts collected from subsidiaries to establish a single Group-level target.

As a result of comprehensive market analyses, expectations are disclosed for the Consolidated Revenues, Consolidated EBITDA and Consolidated CAPEX accounts. In case the expectations change in the course of the year, the revised expectations are announced to all shareholders and stakeholders at the Public Disclosure Platform.

Expectations for 2014 consolidated financial results

- Consolidated revenues are expected to increase by 4% to 5% compared to 2013
- Consolidate EBITDA is expected to remain in the region of TL5 billion and TL 5.2 billion
- Consolidated investment expenditures are expected to total approximately TL 2.1 billion

AWARDS

With the awards won in 2013, Türk Telekom Group crowned its innovative works and projects which create difference.

FINANCE AND INVESTOR RELATIONS AWARDS

Most Valuable Brand of Turkey
According to the 2013 results of Turkey's Most Valuable Brands survey organized by international brand rating agency, Brand Finance, Türk Telekom was chosen as Turkey's most valuable brand.

Capital 500 Awards
Türk Telekom ranked third in the "Largest Companies" and first in "Highest Employment Enterprises" and "Most Profitable Companies" categories, in the survey of the "500 Largest Private Companies in Turkey", traditionally conducted by Capital Magazine.

Fortune 500 Awards
Türk Telekom ranked first in "The Most Profitable Companies" category in the ranking of Fortune 500, lists the largest 500 companies in Turkey, conducted by Fortune Magazine. Türk Telekom was the only telecommunication company that received an award.

2013 Investor Relations Survey
Türk Telekom Group CEO, Mr. Hakam Kanafani was elected "Best CEO for Investor Relations" throughout Europe in the "2013 Investor Relations Survey" organized by Thomson Reuters Extel, one of the world's most extensive professional research and survey companies in the field of investor relations.

Best Investor Relations Website
Türk Telekom, was selected as "Best of the Global Telecommunications Industry" within the "investor relations website" category at 15th IR Global Rankings Awards upon assessment of hundreds of companies worldwide. At the Award Ceremony, Türk Telekom also received 3rd place awards in the categories of "Best Investor Relations Website in the World" and "Best Investor Relations Website in Europe", outpacing more than 300 global companies from a variety of industries.

CORPORATE SOCIAL RESPONSIBILITY AWARDS

Three Awards for the Books on the Phone Project
The Telephone Library Project was developed with the collaboration between Türk Telekom and Boğaziçi University. GETEM received awards in 2013.

The Golden Compass / Books on the Phone / CSR-Other Category

Ethical Corporation / Books on the Phone / International Finalist

European Business Award/ Books on the Phone / Environmental and Corporate Sustainability-International Finalist

BUSINESS AWARDS

Stevie® Awards
Türk Telekom won two bronze awards in the "Innovation in Customer Service" category and "Customer Service Complaints Team of The Year" category at the Stevie Awards for Sales&Customer Service, considered as one of the most prestigious industry awards in the World.

Inova Awards
Türk Telekom won awards in three categories at the Inova Awards of 2012. Türk Telekom received the gold award in the "Corporate Blogs" category, the silver award in the "Intranet Portal" category, and the bronze award in the "Special Category" related to communication with retired persons.

2012 GSM Sector and Comparative Telecommunications Complaints Analysis Award
Türk Telekom was elected as the most successful company providing the fast solutions to customer problems in the telecommunication industry in the "2012 GSM Sector and Telecommunications Comparative Report Analysis" review organized by www.sikayetvar.com.

MESSAGE FROM THE CHAIRMAN

Our mission at Türk Telekom is to create long term value and leave a positive impact that is conducive to economic wellbeing. We accomplish our goal through rigor and discipline in our operations, constant innovation in the communication technologies and services we offer our customers and, ultimately, by maintaining a long-term focus on the sustainability of our businesses.

We have remained true to these principles throughout 2013, and have continued to benefit from the strong fundamentals and ongoing growth of the Turkish economy, notwithstanding the challenges posed by Turkish Lira exchange rate fluctuations in late 2013 and some volatility in investor sentiment as a result of certain political developments of late. The geographic and demographic realities of today's Turkey, along with the industriousness and dynamism of its people, are advantages that we continue to enjoy, and which complement our own strategies for growth.

Türk Telekom Group reported 2013 consolidated revenues of TL 13.2 billion, a 4% increase from 2012. 2013 EBITDA and EBITDA margin were TL 5 billion and 38%, respectively. Our mobile operator, Avea, increased revenues by 10% from 2012 and saw significant increases in its subscriber base. Growth in telecommunications is of course expected to be chiefly through mobile devices that will consume and transmit content rich data. Accordingly, Avea's and TTNET's recent successes, as evidenced by growth in their subscriber numbers, positions us well to capture even more of the activity resulting from the continuing convergence of technology platforms and interfaces.

Our value creation approach ranks us as one of the two companies in Turkey that made the highest premium payments to the Social Security Institution (SSI) in 2013. We pride ourselves on this ranking since our approach is not a standalone objective; rather, it goes hand in hand with our insistence on contributing meaningfully to economic and social progress. Going forward we intend to retain this accolade of being among the largest tax and SSI contributors to the Turkish Treasury. Another source of pride is the 34,441 persons employed by the Group, to whom we owe a debt of gratitude for the successes we have achieved.

TL 13.2 BILLION CONSOLIDATED REVENUE

WE RAISED OUR CONSOLIDATED REVENUES TO TL 13.2 BILLION WITH 4% ANNUAL INCREASE IN 2013 WHICH TÜRK TELEKOM PERFORMED STRONG FINANCIAL AND OPERATIONAL PERFORMANCE.

Türk Telekom Group restructured its leadership in December 2013 by combining the roles of the Group CEO and the General Manager into a single CEO position. I am confident that this unification of roles will facilitate better exploitation of synergies across the Group and allow a more disciplined approach to effecting operational efficiencies.

2013 saw the implementation of a number of strategies, some new and others a continuation of initiatives launched in earlier years. Through targeted strategies for both residential and business customers, we have sought to lead the growth of broadband penetration in Turkey and maintain Türk Telekom's and TTNET's leading positions in the broadband market. In the wholesale Internet access market, Türk Telekom has been focusing on managing its relationships with ISP customers, in particular by migrating ISP customers toward Türk Telekom's higher value wholesale offerings. Moreover, we have continued to invest significantly in Türk Telekom's fiber network, following strong investment in 2012. In the meantime we have defended and further developed our leading position in fixed voice by optimizing our tariff structure and introducing initiatives to maximize customer retention and profitability. Developing the pay-TV business, expanding our ICT offering to capitalize on digitization and pursuing synergies across the Group have all been among the key strategies of 2013. Ultimately, all of these efforts are aimed at enhancing the customer experience and seamlessly delivering the vast capabilities and solutions that customers expect from today's technology.

Innovation requires R&D, and thus we have continued to spend effort and expense on establishing a multidisciplinary eco-system that includes universities, R&D intensive SMEs and international R&D partners to leverage existing domestic know-how to our advantage. Türk Telekom's R&D activities are carried out to develop innovative product and service prototypes, expand the Group's patent portfolio, and research, evaluate and adapt relevant technologies that eventually find their way into our products and services.

We are proud to remain a part of the Government's "FATIH" project, an e-education initiative for schools in Turkey. Our commitment to education in Turkey extends also to building 76 schools in various provinces around the country pursuant to a protocol we have entered into with the Ministry of Education and Ministry of Communication to provide for not less than 30,000 students. In addition, through a project we are undertaking in cooperation with the Turkish Employment Agency in 81 cities, 946 youngsters have to date received or are receiving training at our Group companies, about half of whom have since been hired as interns or technicians. Our WanTTed and PILOTT projects have also been formerly received. Designed to mentor, coach and provide seed funding to budding entrepreneurs and technologists, these programs allow us to contribute our business knowhow to help youngsters launch their own ventures. Finally, Türk Telekom Group has programs

Our consolidated investment amount of the last eight years exceeds TL 14.5 billion.

MOHAMMED HARIRI
CHAIRMAN OF THE BOARD

that cater to disadvantaged or challenged persons, such as our free Audio Library Project for the visually impaired, and free internet through the TT Internet Houses initiative which we have rolled out [in underprivileged areas] across Turkey, all of which have been active in 2013. These are just some of the initiatives we have undertaken in the past year as part of our insistence on giving back to the communities that we serve.

We are excited about what the future holds for our industry. We have built a robust business and an enviable brand, and have the resources necessary to remain responsive and adaptive to the demands of the industry. Working closely with business partners, industry experts and policy makers, we view contributing to the rapid progress of information and communication technologies as squarely within our corporate responsibility. Through vigilance and the trust we have built, and our pursuit of operational excellence, we believe we are ready for tomorrow's opportunities.

I extend my warm regards to our employees, shareholders, customers, business partners and stakeholders and thank them for their support for the Türk Telekom group throughout the past year.

Sincerely yours,

Mohammed Hariri

TL 2.2 BILLION INVESTMENT

WITH THE TOTAL INVESTMENT OF TL 2.2 BILLION IN 2013, TÜRK TELEKOM MAINTAINED ITS FIBER TRANSFORMATION PROCESS IN THE BROADBAND INFRASTRUCTURE AS WELL AS INCREASING THE QUALITY OF DATA AND VOICE SERVICES IN THE MOBILE BUSINESS LINE.

ASSESSMENT BY THE BOARD OF DIRECTORS

With its strong financial and operational performance, Türk Telekom Group keeps on creating value for its shareholders.

Risks and Assessment by the Board of Directors

Türk Telekom Group's financial risks and opportunities are managed centrally in cooperation with the Treasury Committee. Liquidity, currency and interest rate risk positions and market developments are monitored regularly. Financial risks and opportunities are efficiently managed through policy revisions, where deemed necessary. The Group implements diversification in terms of liquidity resources, currencies of loans and types of borrowing rates of interest (fixed interest/flexible interest). If deemed necessary, hedging instruments are purchased in line with policies determined by upper management to minimize risk exposure. In addition, the management of liquidity, currency and interest rate risks is supported by scenario analyses. The Group's risk exposure under different liquidity, exchange rate and interest rates scenarios are tested and the necessary measures to be taken are reviewed.

Within its duties and working principles, Early Identification and Management of Risks Committee is entitled to identify risks that might jeopardize the existence, development and continuation of the Company, implement necessary measures and preventive actions for the elimination of such detected risks, coordinate any studies to monitor them under a risk management system, and report to the Board of Directors thereon.

The analyses made in the context of the Corporate Risks and Opportunities Management Project is expected to be presented to the Early Identification and Management of Risks Committee for the formulation of necessary actions and decisions on material issues with high priority at the Committee's discretion. Completed in 2013, the Project identifies and evaluates risks and opportunities faced by the Türk Telekomünikasyon A.Ş. and the Group in general, as well as including necessary action plans. The Türk Telekomünikasyon A.Ş. family will further strengthen its leading role by adopting technological developments and rapidly changing consumer trends in the telecommunications industry by switching to a mobile broadband / data-driven flexible business model from a voice-driven structure. The company aims to further improve its high service quality in local and international telecommunications services, which are its major area of activity, as well as in call-center, customer relationship management, technology and information management, and Internet products and services. In this respect, the company will continue to analyze and prioritize market risks through a methodology in compliance with its strategic objectives in order to sustain sales increase and reach revenue targets.

Türk Telekomünikasyon A.Ş. increases its investments in network quality with its fiber transformation initiative and continues to minimize technology-related service competition risk. The company aims to maximize customer loyalty by emphasizing its strategic priorities and commitment to the value of high service quality.

Prioritizing the continuity of innovation dynamics and customer satisfaction, Türk Telekomünikasyon A.Ş. continued to be the preferred operator of individual and corporate customers and enlarged its subscriber base. In 2014, the company will continue to increase residential and corporate sales through innovative product diversity and competitive pricing.

Board of Directors' Assessment of the Internal Control System and Internal Audit Practices

Türk Telekom has an internal audit unit that conducts its activities in accordance with international standards as certified by an independent organization. The unit performs assurance and consultancy activities in order to evaluate and develop the risk management, control and governance processes of the company and its subsidiaries. Reporting to the Audit Committee, the Internal Audit Unit operates in line with the Terms of Reference approved by the Board of Directors.

Responsible for regular risk evaluations, the Internal Audit Unit identifies control areas and conducts financial, operational information systems and compliance audits in relation to high-risk areas. The unit also evaluates the effectiveness of work process controls, advises on weaknesses identified in the control mechanism, receives action plans from managerial functions and monitors the implementation of these action plans in a timely manner. The majority of the auditors in the company hold CIA, SMMM, CISA and CFE certification.

Expanding the use of a continuous audit system, the Internal Audit Unit aims to analyze the data received from the related systems by using information technologies and various data analysis tools. This will allow the company to review the efficiency of internal controls in all main business processes. The continuous audit system will reduce the audit cost, allow for more accurate calculation of risk exposures through tests in the entire audit universe instead of using the sampling method, help in presenting more effective and timely reports and in identifying potential instances of fraud.

Board Evaluation on the Financial Status and Operational Results

In 2013, Türk Telekom Group continued its strong financial and operational performance. Strengthening its infrastructure and network with additional investments throughout the year, the Group has achieved a significant increase in broadband and mobile subscribers with its improved service quality. However, Group's net income has decreased due to unfavorable movements in exchange rates which are classified as financial expense but do not resulted in a cash outflow.

Türk Telekom has expanded its fiber infrastructure investments that cover 81 cities in Turkey and increased the number of households with FTTH/FTTB access. In the retail segment, the company strengthened its internet packages both in terms of speed and capacity and maintained its leadership with increasing number of subscribers. Leading the market with the new generation technologies, Türk Telekom is the first and only IPTV service provider in Turkey. In 2013, the Company continued to diversify its TV content and offer new services on TV, which consists a significant part of its strategic goals.

Mobile business is another business segment, which took an important share from investments in 2013 for further improved quality and productivity. Especially with the investments in 3G network mobile data services was improved and the successful growth performance was maintained despite the recent regulations regarding reduction in mobile termination rates.

In addition, Türk Telekom focused intensively on the corporate segment in 2013. Comprehensive offerings were introduced based on the Group synergy in order to address the needs of corporate customers with multiplay packages supported with the latest technology. This brought a double digit growth in the corporate data revenues.

As a company with a strong and healthy balance sheet, in 2013 Türk Telekom decided to issue a debt instrument in the capital markets up to USD 1 billion and up to 10 years in the form of bond and/or sukuk to be used for re-financing of the existing credit structure in order to extend the maturity period and diversify the sources of funds given the convenient market conditions. The Company maintains its objective of further strengthening its solid capital structure in the upcoming periods.

THE BOARD OF DIRECTORS OF TÜRK TELEKOM

MOHAMMED HARİRİ

CHAIRMAN OF BOARD OF DIRECTORS

Mohammed Hariri (1958) is the Chairman of the Board of Directors of Türk Telekomünikasyon A.Ş. He also serves as the Chairman of Oger Telecom Limited, TTNET and Avea İletişim Hizmetleri A.Ş. in Turkey and Cell C in South Africa. Mr. Hariri is also the Vice Chairman- Finance & Investment- of Saudi Oger Limited and has been a member of the Company's management for over 30 years. He is the Chairman of GroupMed S.A.L. (Holding), BankMed S.A.L. and its subsidiaries in Beirut and Geneva, Saudi Med Investment Company and Al Mal Investment Holding. He is a Board Member of Arab Bank plc-Jordan and serves on the Boards of Directors of various companies of the Saudi Oger Group, including 3C Telecommunications (PTY) Ltd in South Africa, Ojer Telekomünikasyon A.Ş. in Turkey, Oger International S.A. and Entreprise de Travaux Internationaux (ETI) in France. Hariri is a Member of the Board of Directors of Associations des Banques du Liban. Elected as a Member of the Board of Directors of Türk Telekom in November 2005, Hariri served as the Chairman of the Audit Committee between June 2008 and April 2009, and has been serving as the Chairman of the Board since April 2008, as the Chairman of the Executive Committee since April 2009 and as a Member of Corporate Governance Committee since October 2012.

İBRAHİM ŞAHİN

INDEPENDENT BOARD MEMBER
VICE CHAIRMAN OF BOARD OF DIRECTORS

(1962) İbrahim Şahin was born in 1962. After graduating from Ankara University Faculty of Law, İbrahim Şahin served in various positions at the Internal Affairs Ministry, worked as an Advisor and Undersecretary at the Ministry of Transportation, and as PTT General Manager. Şahin was a Member of the Statutory Audit Board of Türk Telekom between December 2002 and June 2007 and has been Vice Chairman of the Board of Directors of since June 2007, Vice Chairman of Executive Committee since April 2009. He has been serving as an Audit Committee member since October 2012 that held this position between June 2008 and April 2009. Şahin has been the General Manager of TRT since November 2007. He holds seat as the General Manager of TRT since November 2007.

MEHMET HABİB SOLUK

MEMBER OF BOARD OF DIRECTORS

(1950) After graduating in Mechanical Engineering, at Yıldız Technical University, Mehmet Habib Soluk served in various positions at Denizcilik Bank and Türkiye Gemi Sanayi A.Ş. Camialtı Shipyard. He worked as the Investment Planning and Supervision Branch Manager at the Coastal Safety Authority; Head of Research, Planning and Coordination Department at the Undersecretariat for Maritime Affairs; Assistant General Manager for PTT; General Manager at the Coastal Safety and Ship Rescue Authority; and Deputy Undersecretary and he is now the Undersecretary to the Ministry of Transportation. Between November 2008 and March 2011 he served as a member on the Board of Directors of Türk Telekom. He also served as a Member on the Audit Committee of Türk Telekom between April 2009 and March 2011. He holds seat as a Member of the Board of Türk Telekom since July 2011.

ABDULLAH TİVNİKLİ

MEMBER OF BOARD OF DIRECTORS

(1959) After getting his B.S. in Mechanical Engineering from Istanbul Technical University, Abdullah Tivnikli completed an MBA at the same university. Following his involvement, in the development of the legal infrastructure for the participation banking model in Turkey, he actively took part in the establishment of Albaraka Türk Participation Bank. He was a Member and subsequently the Vice Chairman of the Board of Directors of Kuveyt Türk Participation Bank since 1989. He is presently Executive Director of Eksim Group. Tivnikli has been serving as a Board Member of Türk Telekom and Member of Executive Committee. Tivnikli is also a Board Member at Türk Telekom Group companies, TTNET and Avea; and the Vice Chairman of the Board of Directors of Argela, AssisTT, Innova and Sebit.

RAMİ ASLAN

CEO AND MEMBER OF BOARD OF DIRECTORS

(1972) Rami Aslan is the CEO and a Member of the Executive Committee and the Board of Directors of Türk Telekom. He serves on the boards of Türk Telekom Group's broadband communications unit "TTNET" and mobile communications unit "AVEA". Aslan is the Chairman of the Group's technology companies, namely Argela, Innova and Sebit; and call center, AssisTT and international capacity provider Türk Telekom International Group. Having worked for over 20 years in North America, Europe, Middle East and Africa, Mr. Aslan joined the Oger Group in 2005 from Citigroup where he covered mainly the telecommunications and information technology sectors.
In his eight years with Oger, Mr. Aslan started with an active role during the share transfer period following the privatization of Türk Telekom and has later taken the helm as CEO of Oger Telecom while serving at the boards of Oger Group and several of its companies including Türk Telekom and various subsidiaries as well as Cell C, the third mobile operator in South Africa. Mr. Aslan holds his Bachelor degree with a major in Management Information Systems, as well as his MBA degree from McGill University in Canada.

HAKAM KANAFANİ

MEMBER OF BOARD OF DIRECTORS

(1965) Hakam Kanafani is a Member of Türk Telekom's Board of Directors and Chief Adviser to the Chairman. He serves on the boards of Türk Telekom Group's technology companies, namely Argela, Innova and Sebit and is the Vice-Chairman of Türk Telekom International Group. Before that he was the Group CEO of Türk Telekom; and previously Chief Business Development and Synergy Officer for Oger Telecom. Previously he was the CEO of JAWWAL, Palestine's first private cellular network. Kanafani started his career at NASA, Goddard Space flight center. Kanafani is a University Trustee Scholar and holds Beta Gamma Sigma honors from the USA. He graduated from the University of Maryland, College Park. He was a Founding Member of Young Global Leaders and Young Arab Leader. He is a Member of the Board of Directors for SAMENA, ETNO and GSMA. Kanafani is in GTB's Power100 list for Telco executives worldwide and named Best CEO for Investor Relations in Turkey in 2011, 2012 and 2013.

THE BOARD OF DIRECTORS OF TÜRK TELEKOM

MAZEN ABOU CHAKRA

MEMBER OF BOARD OF DIRECTORS

(1976) Mazen Abou Chakra serves as Executive Member of the Board of Directors of Oger Telecom Limited, and acts as the Chief Legal Officer of Oger Telecom Limited. He is also Member of the Board of Directors of 3C Telecommunications PTY Limited and Cell C (Pty) Limited in South Africa and Argela Yazılım ve Bilişim Teknolojileri A.Ş. and Assist Rehberlik ve Müşteri Hizmetleri A.Ş. in Turkey. Mr. Abou Chakra began his career as a Trainee at the law firm DePardieu Brocas & Maffei in Paris before moving to the law firm Shearman & Sterling (Paris Office). Prior to joining Oger Telecom, he served as an Associate at Nabil Abdel-Malek Law Offices in Beirut. Mr. Abou Chakra is admitted to the Beirut Bar Association and holds a degree (Maitrise) in Law from Saint Joseph University in Beirut and a Masters in International Business Law from Paris Sorbonne University in Paris.

ADNAN ÇELİK

INDEPENDENT BOARD MEMBER

(1954) He studied Mathematics in Ankara Gazi Education Institute between 1974 and 1975 and graduated from Istanbul Technical University in 1982. He started his career in 1980. He worked as an Engineer and Manager in fields of trading oil, computer and biomedical products. He got Business English Education in Marmara University Contemporary Business Administration Institute between 1989 and 1990. He studied English for two months in EF College in London. He was deputy General Manager in İstanbul Deniz Otobüsleri A.Ş. between 1994-2003. He served as a Board Member in Türkiye Denizcilik İşletmeleri in 2003. He was Deputy General Manager and Board Member in İstanbul Ulaşım A.Ş. between 2003 and 2004. He served as a Board Member and General Manager in İstanbul Enerji Sanayi ve Ticaret A.Ş. from July 2004 to May 2011. Çelik who has been serving as a Board Member since June since 2012, is the Corporate Governance Committee Chairman since on October 17, 2012.

İBRAHİM EREN

INDEPENDENT BOARD MEMBER

(1980) He was graduated from Boğaziçi University International Relations and Political science in 2004. He started his professional career in the course of his education and worked for foundation of new enterprises and their management in several areas from education to technology. He undertook the production of various documentaries, 3D animations, trailers and commercial films by his own company Who Pictures, founded by Eren in 2005. He got his Master's degree from Westminster University Media Management in 2009-2010 and he worked as ATV Europe England Representative at that time. After he completed his post graduate education with high honor degree, he worked as ATV Europe CEO and ATV Vice President between 2010 and 2013. He has been Vice President of TRT (Turkish Radio Television) since July 2013.

KHALED BİYARİ

MEMBER OF THE BOARD OF DIRECTORS

Dr. Khaled Biyari is the Senior Vice President for Technology and Operations of STC Group. Before joining STC, Dr. Biyari was the Senior Vice President and General Manager in Advanced Electronics Company (AEC). Previously, he was a Professor of Communication Systems at the Electrical Engineering Department at King Fahd University of Petroleum and Minerals (KFUPM) during the period 1990-95. In addition to his membership in various national and professional committees, he was appointed by the Council of Ministers as a Board member of The Electricity & Cogeneration Regulatory Authority (ECRA). Dr. Biyari obtained his Ph.D. degree and the Academic Achievement Award from University of Southern California (USC), Los Angeles, USA in 1990 in the field of Electrical Engineering "Communications Systems" and the BS and MS in the same field from KFUPM in 1983 and 1985, respectively.

CENK SERDAR

MEMBER OF THE BOARD OF DIRECTORS

(1968) After graduating from Bilkent University-Industrial Engineering department in 1991, he completed his MBA at University of Pennysylvania-The Wharton School. He started his professional career as Consumer Services Division Head at Superonline in 1998, after then he served as Internet Services Director at Doğan Medya Group; Senior Vice President of Direct Banking at Garanti Bank between 1999-2001. Between 2001 and 2002 he was the CEO of Ixir, Internet Service Provider. He worked as Chief Technical Officer at Garanti Bank between 2002 and 2004 and Chief Sales and Marketing Officer at Doğuş Oto. In 2005 he was appointed as CEO of Mapco, a subsidiary of Turkcell. Between 2005 and 2009 he served as the Chief Value Added Services Officer at Turkcell. He served as Global Mobile Payments Director, Global Data and Communication Services Director and Global Consumer Products Director at Vodafone between 2009 and 2013. Serdar serves as a Board Member at TMOB Mobile Technology since March 2013 and Chief Consumer Officer at Saudi Telecom Company since September, 2013.

Changes in the Boards and Committees in 2013

Khaled Hussain S. Biyari was appointed as a Member of the Board of Directors with the approval of General Assembly on May 28, 2013 to replace Jameel Abdullah A. Al Molhem, who resigned from the Board of Directors on March 24, 2013.

Zeynep İnce and Orhan Birdal were appointed as Members of the Statutory Audit Board with the approval of the General Assembly on May 28, 2013 to replace the former members whose term had expired on March 31, 2013.

Efkan Ala resigned from the Board of Directors on December 25, 2013. It has been resolved that İbrahim Eren shall be appointed to the Board Member position which became vacant due to the resignation of Efkan Ala, for the remaining term of office of the Board of Directors as to be submitted to the approval of the General Assembly of the Company at the first upcoming General Assembly Meeting to be held.

On February 4, 2014, it has been resolved that Cenk Serdar shall be appointed to the board membership position which became vacant due to the resignation of Maziad Nasser M.Al Harbi, for the remaining office term of the Board of Directors as to be submitted to the approval of the General Assembly of the Company at the first upcoming General Assembly Meeting to be held.

On February 25, 2014 Zeynep İnce resigned from Statutory Audit Board. Süleyman Karaman resigned from Board of Directors, Audit Committee and Early Detection and Management of Risks Committee and appointed to Statutory Audit Board.

THE BOARD OF DIRECTORS AND COMMITTEES

The members of the board of directors were elected at the Ordinary General Assembly Meeting on June 30, 2012 for a three-year term.

On May 28, 2013, it has been resolved in the Ordinary General Assembly Meeting that Khaled Hussain S. Biyari shall be appointed to the board membership position to replace Jameel Abdullah A. Al Molhem, who resigned on March 24, 2013 and Maziad Nasser M. Al-Harbi shall be appointed to the Board Membership position to replace Ameen Fahad A. Alshiddi, who resigned on December 7, 2012 and board membership positions were approved by majority and shall commence as of the date of election under the same conditions for the remaining term of office of the Board of Directors in accordance with Article 363 of Turkish Commercial Code and Article 10 of to Articles of Association.

On January 29, 2014, the Board of Directors resolved that İbrahim Eren shall be appointed as an Independent Board Member, to the Board Member position which became vacant due to the resignation of Efkan Ala on December 25, 2013, for the remaining term of office of the Board of Directors in accordance with Article 363 of Turkish Commercial Code as to be submitted to the approval of the General Assembly of our Company at the first upcoming General Assembly Meeting to be held.

On February 4, 2014, Board of Directors resolved that Cenk Serdar shall be appointed as real person Board Member, to the board membership position which became vacant due to the resignation of Maziad Nasser M.Al Harbi, for the remaining office term of the Board of Directors in accordance with Article 363 of Turkish Commercial Code as to be submitted to the approval of the General Assembly of our Company at the first upcoming General Assembly Meeting to be held.

On February 25, 2014 Independent Board Member Süleyman Karaman resigned from Board of Directors and appointed to Statutory Audit Board.

Lütfi Aydın, Zeynep İnce and Orhan Birdal were elected members of the Statutory Audit Board to serve until the end of the year of activity of 2015, to replace the members whose term had expired on March 31, 2013.

On October 17, 2012, Independent Board Member Efkan Ala was appointed as the Chairman of the Audit Committee, Independent Board Members İbrahim Şahin and Süleyman Karaman were appointed as Members of the Audit Committee, and Board Members Rami Aslan, Mazen Abou Chakra and Jameel Abdullah A. Al Molhem were appointed as Observer Members of the Audit Committee. On October 23, 2013, Maziad Nasser M. Al Harbi was appointed to replace vacant Observer Member position, due to the resignation of Mr. Jameel Abdullah A. Al Molhem. Independent Board Member Efkan Ala resigned from the Board of Directors and the Audit Committee on December 25, 2013. On February 4, 2014, İbrahim Şahin was appointed as the Chairman of the Audit Committee which became vacant due to the resignation of Efkan Ala and İbrahim Eren was appointed as Member to the Audit Committee. On February 4, 2014, Khaled Hussain S. Biyari was appointed as Observer Member to the Audit Committee which became vacant due to resignation of Maziad Nasser M. Al-Harbi on February 4, 2014. Replacement to the vacant Observer Member position due to resignation of Rami Aslan from Audit Committee shall be determined at a later date. Süleyman Karaman resigned from Audit Committee on February 25, 2014.

The Corporate Governance Committee was established on October 17, 2012 to monitor and improve the compliance level of the Company with the principles of corporate governance and to advise the Board of Directors accordingly. Adnan Çelik was appointed as the Chairman of the Corporate Governance Committee together with Committee members Mohammed Hariri, the Chairman of the Board, and Ameen Fahad A. Alshiddi. Maziad Nasser M. Al-Harbi replaced Ameen Fahad A. Alshiddi, who resigned on October, 23, 2013. On February 4, 2014, Cenk Serdar was appointed to the vacant membership position due to the resignation of Maziad Nasser M. Al-Harbi.

Early Detection and Management of Risks Committe was established on October 23, 2013 to identify risks that might endanger the existence, development and continuity of the company, and to implement required measures and take actions to remove those risks and conduct studies to manage and monitor them under a risk management system. Mr. Süleyman Karaman was appointed as the Chairman of the Committee together with members Mr. Mazen Abou Chakra and Mr. Maziad Nasser M Al-Harbi. On February 4, 2014, Cenk Serdar was appointed to the vacant membership position due to the resignation of Maziad Nasser M. Al-Harbi. Süleyman Karaman resigned from Early Detection and Management of Risks Committee on February 25, 2014.

The Executive Committee was established under a Board resolution on December 10, 2013 and Mr. Mohammed Hariri was appointed as the Chairman, Independent Board Member Mr. İbrahim Şahin as the Deputy Chairman, and Mr. Rami Aslan, Mr. Abdullah Tivnikli and Mr. Khaled Hussain S. Biyari as Members of the Committee.

STATUTORY AUDIT BOARD

LÜTFİ AYDIN

(1960) After completing his bachelor's degree at the Faculty of Theology at Marmara University, Lütfi Aydın obtained a master's degree in management of public enterprises from Istanbul University. Following various positions in local government, he held the office of director at different departments within the Ministry of Culture and the Ministry of Transport. Working as the Assistant General Manager at the Ministry of Transportation, General Directorate of Communications since 2003, Aydın has been a Statutory Auditor at Türk Telekom since February 2011.

ORHAN BİRDAL

(1958) After graduating from İstanbul Economical and Commercial Sciences Academy- Journalism and Public Relations School in 1980, Birdal completed his master degree at Marmara University Institute of Social Sciences in 1990. Birdal started his career at Agricultural Supplying Institution in 1976. In 1982, Birdal got involved in aviation sector as Air Traffic Controller at Atatürk Airport within State Airports Operations (DHMİ), after that he served as Air Traffic Controller and Airport Director in Erzincan, Nevşehir, Kapadokya, Trabzon and İzmir Adnan Menderes Airports Chief Director and Operating Department President at General Directorate of State Airports Operations. Birdal served as Vice President and Board Membership of State Airport Operations in 2003, he has been serving as General Manager and Chairman of Board of Directors of State Airports Operations since 2007. Birdal has been a Statutory Auditor at Türk Telekom since May 2013.

SÜLEYMAN KARAMAN

(1956) Süleyman Karaman was born in 1956. He graduated from Mechanical Engineering Faculty of Istanbul Technical University. In 1981 he took his master degree from Mechanical Engineering Faculty of Istanbul Technical University, and was granted the title of High Mechanical Engineer Between 1979-1981 he worked in the prototype studies, improvement activities and compliance tests of the farm machinery and the first Turkish tractor produced by private sector. In 1981, he started to work as Assistant Professor in the Mechanical Engineering Faculty of Istanbul Technical University. Until 1984, beside his postgraduate studies, he also gave technical drawing and enginery lectures as Assistant Lecturer in the same Faculty between 1984 and1994, he worked as, Vice Enterprise Manager, Enterprise Manager, Vice General Manager, and Board Member in automotive sub-industry.
He was appointed as the Vice General Director of the General Directorate of Istanbul Metropolitan Municipality Electric, Tramway and Tunnel Operations (IETT) in 1994. He attended seminars such as Total Quality Management, Permanent Improvement, and Synergistic Management. Besides, he participated to the organization of the I. II International Transportation Symposium and read the paper he prepared. He was appointed as Advisor to the General Director in IETT in 2001; and as General Director and Board Chairman to Turkish State Railways in 2003. Karaman serves as Vice Chairman of Board in TTNET and Board Member of Net Ekran Televizyonculuk ve Medya Hizmetleri. Karaman who has served as a board member between June 2012, and February 2014 has served as the Audit Committee member between October 2012 and February 2014 and Chairman of the Early Detection and Management of Risks Committee between October 2013 and February 2014. Karaman appointed to Statutory Audit Board membership on February 25, 2014.

MESSAGE FROM TÜRK TELEKOM CEO

Türk Telekom, Turkey's leading communication and convergence technologies company, continues to shape the future of the Turkish telecommunications through innovation in technologies that enhance connectivity and deliver services responsive to the ever evolving digital requirements of our customers.

2013 was a successful year for Türk Telekom Group in terms of growing our mobile and broadband subscriber base, extending the reach of our fibre network to more homes and businesses, and expanding the portfolio and competitiveness of ICT services available through certain of our subsidiaries. Türk Telekom Group achieved consolidated revenues of TL 13.2 billion in 2013, which represents a 4% increase from the prior year. 2013 EBITDA was TL 5.0 billion, more or less on par with the prior year. Much of this revenue growth is attributable to the increase in our mobile subscribers base to 14.5 million (an 8% increase from the prior year) as well as an increase in our broadband subscriber base of 300 thousand subscribers. Mobile and broadband segments today represent 55% of our total revenue.

We continue to be the leading operator in Turkey in terms of aggregate subscriber numbers, with our 13.7 million fixed, 7.3 million broadband and 14.5 million mobile customers. In addition, our fiber strategy has positioned us as the leader in the fiber Internet market, with a total of 624,000 subscribers as of the end of 2013.

Türk Telekom Group pursued a number of strategic initiatives in 2013. These included increasing the span and improving the quality of our fixed and mobile telecommunications network across Turkey, and making available to our customers various competitive offerings that capitalize on today's technological capabilities. As an indication of our commitment to deploy best of breed technology solutions, Türk Telekom Group has invested as much as TL 2.2 billion in 2013, much of which was dedicated to deploying fiber to what is now approximately 2.5 million FTTH/B. We consider our fiber network rollout strategy to be instrumental to Turkey's preparedness to accommodate the digital age.

Türk Telekom Group again secured the distinction of the most valuable brand in Turkey this year, which is a testament of the good will we have fostered with our customers over many years. As much as we are proud of our technology and brand, we are most proud of our 34,441 employees through whom we not only create value for our stakeholders, but also contribute sizeably to Turkey's economic wellbeing.

ACCELERATED SUBSCRIBER GAINS

THE REVENUE INCREASE OF TÜRK TELEKOM GROUP MAINTAINED IN 2013 WITH THE SUPPORT OF ACCELERATED SUBSCRIBER GAINS.

2013 saw Avea, Turkey's youngest mobile operator, sustaining its growth momentum and achieving wins in market share. Avea grew its revenues by 10% from the prior year to reach TL 3.8 billion and improved its EBITDA by 20%. Avea's competitive tariff offerings and renewed focus on the customer experience were rewarded by almost a million subscriber gain in mobile number portability in 2013. This represents seven consecutive fiscal quarters in which Avea has gained more subscribers than its competitors on Mobile Number Portability side.

Avea increased its subscriber market share in 2013, in particular by continuing to capture mobile number portability subscriber additions. As part of its "Smart Growth" strategy, launched in 2013, Avea has invested TL 2.7 billion since 2010 in a state-of-the-art network that delivers best of breed voice, data and value-added services. More than TL 700 million of this investment was in 2013 alone. This network rollout has yielded not only subscriber market share, but also a greater proportion of postpaid customers and, perhaps more telling of the evolution of customer needs, an increase in the uptake of smartphones. Smartphone penetration among Avea subscribers now stands at 37%, which is the highest smartphone penetration in the market. Smartphone and tablet campaigns have continued to increase data revenues and promote customer loyalty as the number of small screen data users accessing the Internet via mobile broadband increased significantly in the past year. The "Smart Growth" strategy is improving the customer experience at customer contact points, positioning Avea as a total communications provider through the introduction of bundled product and services offerings, as well as targeted complementary marketing campaigns, and is allowing Avea to augment its value proposition through partnership with select leaders. Customer focus has reached new heights not only through network quality, but also through improving the efficiency, transparency and quality of our sales and distribution channels. Avea's partnerships with various businesses has realized more than TL 34 million in savings in 2013 for those partners.

2013 was a year in which TTNET, Türk Telekom's wholly owned internet service provider, continued expanding its subscriber base and enhancing its products and services portfolio. In the retail Internet access market, TTNET has been continuing its fiber campaigns, employing a regional focus as well as mass advertising campaigns targeting broadband (including fiber), WLR and Naked broadband subscribers, together with offering value-added features (such as education services, games, music and movies, among others). In the business segment, TTNET is pursuing growth by rolling out products and services tailored to SMEs, and subsequently expanding these efforts to a broader set of business customers.

With a net subscriber addition of 321 thousand, TTNET today boasts 6.3 million broadband connections, out of which 1.8 million are enjoying our TV services over the Tivibu web, mobile and internet-based TV service (IPTV).

We continue to be the leading operator in Turkey in terms of aggregate subscriber numbers, with our 13.7 million fixed, 7.3 million broadband and 14.5 million mobile customers.

RAMİ ASLAN
TÜRK TELEKOM CEO

In line with rapid uptake of broadband and mobile technologies, the decline in fixed voice services is an inevitable trend in virtually all markets. While today almost three-quarters of our total revenues are attributable to other business lines, we continue to proactively manage the changes in demand for our fixed voice offerings. This requires innovation in both technology and incentives that entice subscribers to retain their fixed lines. Key to this are offers that are value additive, such as bundling fixed voice services with attractive mobile tariffs, home insurance, home security and television services. We also aims to improve retentions through leveraged bundles, including double-play and triple-play services as well as Naked broadband and WLR, which allows other telecommunications operators (including TTNET) to rent access lines on wholesale terms from Türk Telekom and resell the lines to customers while providing a single bill that covers both line rental and telephone calls.

Türk Telekom International, though which we operate the Group's international data and voice communication operations, enhanced its geographical coverage to 20 countries, while the total length of its fiber optic network exceeded 40,000 km by the end of 2013. Türk Telekom International made all us all proud when it was named "Central and Eastern Europe's Best Carrier" at the Global Carrier 2013 Awards.

Türk Telekom positions itself as an end-to-end ICT service provider, providing managed services, datacentre services and systems integration services for corporate customers. By combining these capabilities with its connectivity services, we are able to serve as a turn-key solution provider to deliver large-scale system integration projects. Demand for connectivity and ICT infrastructure is growing as a result of increasing digitisation in Turkey. In addition, programmes such as the "FATIH" project and other public-private partnerships are expected to stimulate ICT spending in the education and healthcare industries. Our subsidiaires Innova, Argela and Sebit have established themsleves in this sector and are well postioned to capture the increasing ICT activity that is expected. Within datacentre services, Türk Telekom had developed cloud services offerings and aims to leverage these capabilities in order to increase to address both the business and residential markets. Through its CRM services and call center, AssisTT complements Türk Telekom's ICT strategy. The Group's customer portfolio in this segment continued to evolve throughout 2013 to encompass more large businesses, public enterprises and financial institutions.

Our commitment to our core principles of integrity, transparency and effective governance has served us well in spearheding collaboration with our partners in the community, be they consumer groups, suppliers, business partners or Government bodies. Today more than ever, we are working hand-in-hand with these partners to seize the opportunities of integration and convergence of platforms, applications, connectivity, content, software and other technologies, as well as the challenges that must be overcome in order to innovate and deliver services to a customer base whose expectations and needs are ever evolving. Armed with these principles and encouraged by what we have achieved in 2013, we look forward to another year of accomplishments.

TÜRK TELEKOM MANAGEMENT

RAMİ ASLAN

CEO AND MEMBER OF BOARD OF DIRECTORS

Rami Aslan is the CEO and a Member of the Executive Committee and the Board of Directors of Türk Telekom. He serves on the boards of Türk Telekom Group's broadband communications unit "TTNET" and mobile communications unit "AVEA". Aslan is the Chairman of the Group's technology companies, namely Argela, Innova and Sebit; and call center, AssisTT and international capacity provider Türk Telekom International Group. Having worked for over 20 years in North America, Europe, Middle East and Africa, Mr. Aslan joined the Oger Group in 2005 from Citigroup where he covered mainly the telecommunications and information technology sectors. In his eight years with Oger, Mr. Aslan started with an active role during the share transfer period following the privatization of Türk Telekom and has later taken the helm as CEO of Oger Telecom while serving at the boards of Oger Group and several of its companies including Türk Telekom and various subsidiaries as well as Cell C, the third mobile operator in South Africa.
Mr. Aslan holds his Bachelor degree with a major in Management Information Systems, as well as his MBA degree from McGill University in Canada.

MURAT KIRKGÖZ

VICE PRESIDENT, FINANCE

Murat Kırkgöz started his professional career at Koç Group in 1996.
In 2001, he started to work at Mobile Startup Aria, JV of Telecom Italia and İşbank; where he carried the responsibility for various positions in Finance Department. Between 2004-2010 he had successive posts in Avea which was formed as result of merger of 3rd and 4th Mobile operators in Turkish market. In 2005, he was appointed as Budget & Control Director, in 2009 appointed as Interim Chief Finance Officer and in 2010 appointed as Finance Transformation Director. In 2011, he continued to his career at Oger Telecom as Deputy CFO, Group Financial Controller. Since October 2012, Murat Kırkgöz is serving as Chief Finance Officer at Türk Telekom. He earned his BSc in Mechanical Engineering, Boğaziçi University, Istanbul. Murat Kırkgöz is married with two children.

MEHMET ALİ AKARCA

VICE PRESIDENT, CORPORATE

Mehmet Ali Akarca holds a bachelor's degree in Industrial Economics from the University of Nottingham and a MSc degree in Tourism and Marketing from the University of Surrey. He started his career at Koç Holding as a Management Trainee and held several management positions within the Group Companies.
He acted as the General Manager of BookinTurkey.com (2001-2003); General Manager of Koc.net Telecom (2003-2011); Deputy General Manager of Koç Media Marketing (2011-2012). He has joined Türk Telekom as Vice President of Marketing and Communications Department in October 2012. Marketing and Communications Department renamed as Corporate Department as of December 2012. Akarca has been Vice President of Corporate Department since December 2012. Mehmet Ali Akarca is married and with two children.

ALİ YILMAZ

VICE PRESIDENT, CONSUMER

Ali Yılmaz graduated from Yıldız Technical University with a B.Sc. in Industrial Engineering and completed an Executive Education Program at Babson College Boston. In 1993 he joined Siemens Turkey where he worked for 14 years in various executive positions. He started his Telecommunications carrier as the Country Manager of Siemens Mobile in year 2000, then he was appointed as the General Manager of BenQ Mobile where he managed the carve out process of the mobile division. In 2007 he worked at KVK as Sales and Marketing VP. In 2010 he started at Avea as Sales VP. Yılmaz has joined Türk Telekom as Vice President of Sales in October 2012. Sales Department renamed as Consumer Department as of December 2012. Yılmaz has been Vice President of Consumer Department since December 2012. He holds a patent in Integrated Incentive Systems. Ali Yılmaz is married with one child.

ŞÜKRÜ KUTLU

VICE PRESIDENT, HUMAN RESOURCES, SUPPORT SERVICES AND REGULATORY

He completed his undergraduate degree at the Faculty of Law at Ankara University. And he completed his master's degree with the thesis work 'Interconnection Agreements' in Private Law Department at Gazi University. Mr. Kutlu started his working life as Court of Accounts Auditor Assistant and then he served as auditor and chief auditor. Mr. Kutlu who has advocacy, notariate and chartered accountant certificates has started to work as Vice President at Türk Telekom in 2003. He has been working as Human Resources, Support and Regulation Vice President since October 2010. And also he has served as a member of the Board of Directors at Turksat, Employers' Association of Turkey, and Turkey Table Tennis Federation. In addition to his duties at Türk Telekom, he has served as a member of TCDD Board of Directors, the chairman of Türk Telekom Health & Social Assistance Foundation and the deputy chairman of Türk Telekom Sports Club, too. He is married with three children.

TİMUR CEYLAN

VICE PRESIDENT, TECHNOLOGY

Timur Ceylan serves as Technology Vice President of Türk Telekom since November 2010. After his graduation he studied at Electrical Engineering Faculty of Hacettepe University and Economics Department of Bilkent University at Master programs. Timur Ceylan made a Master's degree in Electrical and Computer Engineering at University of California, Irvine, and studied for the doctorate degree at University of California, Irvine, respectively. Timur Ceylan worked in various managerial jobs in several technology companies in Silicon Valley, USA. Joined Türk Telekom Group in 2007 as an Advisor to Vice President of Operations, Ceylan worked as the Technology Vice President of TTNET between May 2008 and November 2010 before he was appointed as Technology Vice President of Türk Telekom.

→ TÜRK TELEKOM MANAGEMENT

MEMET ATALAY

VICE PRESIDENT, OPERATIONS

Memet Atalay graduated from Electronics and Communication Engineering Department of ITÜ (Istanbul Technical University), and completed master degree at Business Administration Faculty of Bilkent University. He worked as a transmission engineer in PTT in 1990. After that, he held office as switch engineer, R&D engineer, and as Telephone Switchboard Project Manager in 2000 and as Assistant Head Study Project and Investment Department in 2002. Within this period, he was also a member of the team who established Aycell and rendered services as strategy unit leader in restructuring of Türk Telekom. Between 2004 and 2005, he was sector auditor in the State Supervisory Council. Being telecommunication Networks Director in year 2006, Atalay held office as Network Director in 2009. He was appointed as Acting Vice President of Operations on November 30, 2010 and as Vice President of Operations as of June 23, 2011. He is married with three children.

GÖKHAN KAYALIBAY

VICE PRESIDENT, STRATEGY AND BUSINESS DEVELOPMENT

Gökhan Kayalıbay worked as BSS Roll-Out Planning Manager at Ericsson between 1993 and 1995 and as Network Planning Manager at Turkcell between 1995 and 1997. He held executive positions at different levels in Dutch firm KPN during eight years. After his returning to Turkcell as BD Division Head in 2004, he established The Associated Advisors in 2010. Since October 9, 2012 he has been the Vice President of Strategy and Business Development. Gökhan Kayalıbay is married with two children.

HAKTAN YAŞAR KILIÇ

VICE PRESIDENT, FIELD MANAGEMENT

He was graduated from Department of Industrial Engineering of Marmara University in 1997 and completed his master's degree at the same department in 2001. He completed Executive MBA program in Bilkent University in 2012. He started his business life in 1997 as production manager in Serve A.Ş., and then he worked at Turkcell İletişim Hizmetleri A.Ş. in various management positions between 1997 and 2007, after which he worked as Senior Management Consultant at IBM Turkey between 2007 and 2008. After leaving Eagle Mobile, the GSM operator in Albania where he worked as Marketing Director in 2008, he joined Türk Telekom Group as TTNET Marketing Director and he worked as TTNET Customer Relations Director from February 2009 to March 2010. He rendered service as Acting Vice President of Customer Relations from March 2010 until June 2011. He was appointed as Vice President of Customer Relations in as of June 2011. In the course of his duty, he was awarded as ''Best Customer Service Executive of the Year 2011 in the World'' by The International Business Awards-Stevie Awards. In December 2012, he was appointed as VP, Field Management in the new organization of the company, managing all the regional and provincial directorates. Since then he has been working at the same position.

CAN ESEN

VICE PRESIDENT, LEGAL

After graduating from Faculty of Law, İstanbul University, Can Esen completed his military service as Assistant Legal Manager at General Commandership of Gendarmerie. Can Esen worked as a freelance lawyer between 1980 and 1994 and he has served as İstanbul Adalar Mayor between the years 1994 and 1999. He has joined Türk Telekom in 2005 and held office as member of Board of Auditors, 1st Legal Counsel, CEO Advisor and Chief Advisor to VP Legal at Türk Telekom. After serving as Operational Legal Services Director and Acting VP Legal in 2012, he has been appointed as VP Legal in 2013. Can Esen is married with one child.

DR. NAZİF BURCA

HEAD OF INTERNAL AUDIT

Nazif Burca graduated from Public Administration Department of Ankara University in 1990. He started to work as Accounting Controller and Chief Controller in the Ministry of Finance between the years of 1990-2003. Burca took his master'ss degree in Finance in Illinois University, USA between the years of 2001-2002. He was appointed as Türk Telekom Vice President of Finance in February 2003. He held this position until November 2006 and assigned as consultant of CEO between December 2006 and June 2007. He has been working as Head of Internal Audit since July 2007. Burca, completed his doctorate studies on accounting and finance. He is married with three children.

Changes in Top Management in 2013

Former Vice President of Legal Affairs, Can Esen was appointed as the President of Legal Affairs with a Board resolution dated April 5, 2013.

On December 10, 2013 Board of Directors resolved that the positions of Group CEO and Group CFO were eliminated from the upper management structure. Rami Aslan was appointed as the CEO of Türk Telekomünikasyon A.Ş. being effective as of December 10, 2013. The former CEO of Türk Telekom Group, Hakam Kanafani was appointed as the Senior Advisor to the Chairman of Türk Telekomünikasyon A.Ş. The former General Manager of Türk Telekomünikasyon A.Ş. Tahsin Yılmaz was appointed as Advisor to the Chairman of Oger Telecom. The former CFO of Türk Telekom Group Mustafa Uysal was appointed as Advisor to the General Manager of Türk Telekomünikasyon A.Ş.

CEOs OF TÜRK TELEKOM GROUP COMPANIES

ERKAN AKDEMİR

AVEA CEO

Erkan Akdemir has been assigned as the CEO of Avea as of June 2009. Before joining Avea, he worked as the CEO of Cisco Systems Turkey. During his past career, he served as The Chairman of Board of Directors of Kablo Net and of Eurasiasat, and he leaded Türk Telekom as The Chairman of Board of Directors from 2002 until the privatization of the company. Other highlights in his career include key leadership positions in State Planning Organization and being a founding board member of Telecommunications Regulatory Authority of Turkey. Akdemir has a B.S. studies from Department of Electrical and Electronics Engineering of Hacettepe University and an M.S. studies on Telecommunications from Colorado University in USA.

ABDULLAH ORKUN KAYA

TTNET CEO

Abdullah Orkun Kaya is the Chief Executive Officer of TTNET since November 2012. He is graduated from Bilkent University, Department of Business Administration at 1998. After working at Capital Markets Board of Turkey (SPK) for six years, where he has begun his professional career, he got his MBA from Massachusetts Institute of Technology (MIT). After his MBA at MIT, Mr. Kaya held various roles at Merrill Lynch London office on Debt Capital Markets and Strategic Solutions teams. Mr. Kaya joined Türk Telekom Group as the Director of Capital Markets and Investor Relations in April 2008. He joined TTNET as Chief Financial Officer in August 2011. Mr. Kaya was accepted to Crans Montana Forum’s “New Leaders for Tomorrow” Program as the first executive from Turkey nominated by UNDP. Mr. Kaya has been serving as the President of the Turkish Investor Relations Society (TÜYİD) since February, 2013. He is married with two children.

ÜMİT ATALAY

İNNOVA CEO

Upon graduation from Middle East Technical University's department of Computer Engineering in 1984, Ümit Atalay began his working life at ITT CR Systems in Denmark in 1985. Atalay worked in various positions at Alcatel in Germany and Bell Northern Research Company in the UK between 1989 and 1992, returning to Turkey in 1992 to begin his work as the System Security Manager of Pamukbank. He worked as a Manager responsible for Public Operations at Otomasyon A.Ş. for 5 years as of 1994. A founding partner of Innova IT Solutions Inc., Ümit Atalay has been working as a Board Member in the fields of public projects, large-scale projects and new technology development.

AYDIN ERSÖZ

İNNOVA CEO

Following graduation from Robert College in 1980, Mr. Ersöz received his BA in Electrical and Computer Engineering at Princeton University. After completing an MS at Stanford University in the same field, he began working in Silicon Valley in the US. Starting in 1988, Mr. Ersöz worked in various positions at IBM Turkey for five years, followed by five years at Info Otomasyon AS, a local SI, where he was General Manager for the last three years of his tenure. Mr. Ersöz co-founded Innova IT Solutions in 1999. Following the acquisition of Innova by Türk Telekom in 2007, Mr. Ersöz serves as co-CEO of the company and Member of the Board.

CENGİZ ÖZTELCAN

TÜRK TELEKOM INTERNATIONAL CEO

Cengiz Öztelcan was appointed as the acting CEO of Türk Telekom International on June 2013. Prior to that, he was the Chief Marketing and Sales Officer of Türk Telekom International (Pantel). He was the International Investments Director in Türk Telekom between 2010 - 2013, responsible for partnerships, M&As and investments of Türk Telekom abroad. He was also the Managing Director of Türk Telekom Euro. He has B.S. and M.S. degrees on Mechanical & Aeronautics Engineering from Texas A&M University; and MBA degree from University of Washington. During the initial phases of his career, he assumed engineering positions at Boeing and Intel, whereas later on he has chosen to continue in Sales & Marketing. He continuously took on greater responsibilities within Intel. During his several years of service at the position of Regional Business Manager of EMEA, he gained extensive global experience and IT insight.

ALİ DÜLGEROĞLU

ASSISTT CEO

Ali Dülgeroğlu graduated from Computer Engineering Department in Istanbul University. He got his MBA degree from New York University. Ali Dülgeroğlu started his career in the USA in 2011, and continued with different levels of management positions in several companies. He joined Türk Telekom Group in 2009 with project management position in TTNET Operations. He continued his career as Vice President of Operations in Assistt. He has been the General Manager of Assistt since November 21, 2012. Ali Dülgeroğlu is married with two children.

BÜLENT KAYTAZ

ARGELA CEO

As CEO and founder, Bülent Kaytaz is responsible for market strategy, technological vision and its execution. Mr. Kaytaz brings over 25 years of design, development, business development and successful leadership experience in the field of telecommunications. Following his lengthy international experience, Bülent Kaytaz brought his global vision to Turkey in 2000. He then founded two companies in the telecom technology arena and led the innovation both companies demonstrated through intensive R&D activities. Before founding Argela, he founded Oksijen Technology, which was formerly a provider of intelligent networks and core infrastructure elements for wireless and wireline communications networks. Within three years of operation, the company brought considerable recognition to the global and Turkish telecommunications industries through strong regional business growth and global visibility. In former roles, he had a 5 year stint at Nortel and more than 10 years of experience at Alcatel, where he managed key software development projects in the areas of communications and Internet in Belgium, Norway and Turkey. Bülent Kaytaz holds a B.Sc. in electrics and electronics from Marmara University, Istanbul, Turkey. He also earned studies at MIS and an MBA from the European University in Belgium. In addition to his business activities, Bülent Kaytaz has served as a visiting lecturer in computer and communications engineering at Marmara University in Istanbul.

AHMET ETİ

SEBIT CEO

Ahmet Eti, the founder of SEBIT A.Ş. and Sebit LLC (Arizona), the creator of the award winning Vitamin and Adaptive Curriculum, has been CEO of SEBIT and Chairman of Sebit LLC. He began his carrier in 1988 as a Researcher in TUBITAK and there he founded the Computer Aided Education and Multimedia Research Laboratory. In 1996, after the privatization of the Laboratory by the Science Council, he founded Sebit and realized many award winning global projects such as Akademedia and its Chinese version Tian-yi. With the acquisition of Sebit by SBS, he acted as “The Global E-learning Director” of Siemens and implemented the Malaysian Math and Science Teaching Courseware Development Project and iClass, the largest educational R&D project of the European Commission’s 6th Framework Programme. In 2007 he sold his stake of SEBIT to Türk Telekom. Between the years 2008 and 2011, “Adaptive Curriculum”, has been honored with several awards including; the CODiE Awards by The Software and Information Industry Association (SIIA) as “The Best Online Educational Solution” and “The Best Virtual School Solution”, “Best Content Service” award in the World Communication Awards and “Distinguished Achievement Award” by the Association of US Educational Publishers. In 2001, Eti was chosen Turkey’s Most Creative and Innovative Young Entrepreneur in the World Junior Entrepreneur Businessman Contest and in 2004 was honored by the Professor Mustafa N. Parlar Training and Research Association’s Technology Encouragement Award. Ahmet Eti received a B.S. and M.S. in Electrical and Electronics Engineering from Middle East Technical University. He developed and held many projects in various countries for both governments and NGO’s with his expertise in creating and modeling innovative education solutions and highly contributed to the transformation of education globally.

ORGANIZATIONAL STRUCTURE AND CHANGES

Türk Telekom's top management was restructured Group CEO and Group CFO positions were abolished.

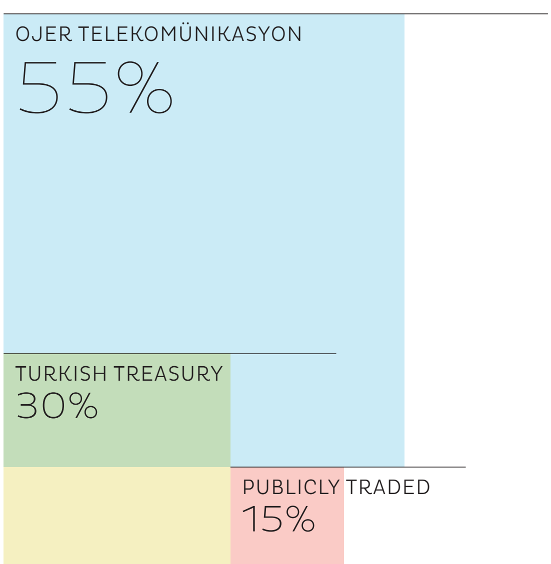
Reporting to the CEO, the organizational structure of Türk Telekom consists of nine departments including Operations, Technology, Strategy and Business Development, Corporate, Consumer, Finance, Field Management, Human Resources Support Services and Regulatory, and Legal. Additionally, there are 4 directorates directly reporting to the CEO including Capital Markets and Investor Relations, Program and Project Coordination, Procurement and Corporate Communications. The Company's Internal Audit Department reports to the Board of Directors through the Audit Committee.

The Group CEO and Group CFO positions were abolished under the Board resolution dated December 10, 2013. Accordingly, the duties and acthorities of the Group CEO and Group Finance, VP positions were assigned to the Türk Telekom CEO and Türk Telekom CFO, respectively.

CAPITAL STRUCTURE AND CHANGES

In the capital structure of Türk Telekom, 55% belongs to Ojer Telecommunication, 30% belongs to Turkish Treasury and the remaining 15% is publicly traded.

- The Turkish Treasury's "Group B" bearer non-public share ownership is 30%, and "Group D" bearer public share ownership is 1.68%. In addition, the Turkish Treasury owns a "golden share" (Group C share) with a nominal price of TL 0.01.
- "Group A" bearer non-public share ownership of Ojer Telekomünikasyon A.Ş. is 55% and "Group D" bearer public share ownership of Oger Telecom Ltd. Company is 0.8%.
- "Group D" bearer public shares correspond to 15% of Türk Telekom's paid-in capital.
- As per the amendment made in the Articles of Association on June 30, 2012, the 2.25% shares corresponding to "Group D" bearer non-public shares were transformed to "Group B". Accordingly, the shares of the Treasury corresponding to 31.68% of the outstanding share capital of Türk Telekom changed as follows: Group B 30% and Group D public shares 1.68%.



ECONOMIC OUTLOOK

In 2013, emerging countries were exposed to developments in the advanced economies. Accordingly, Turkey took measures to manage risks arising from these developments and pursued cautious monetary policies.

Global economic risks mitigated.
The fragile economic conditions taking effect since the 2008 global financial crisis still prevail today, particularly in the developed economies, prompting countries to adopt a cautious economic stance. Global economic growth, therefore, remains in low gear. According to IMF projections , the global growth is expected to be at 2.9% in 2013 and 3.6% in 2014, as opposed to 3.2% in 2012.

Despite the significant difference noticed in developed countries since the aftermath of the crisis, public debt still remains as a serious problem in some advanced economies. Likewise, unemployment figures still pose a major issue in many European countries, particularly in Italy, Spain and Greece. Although the rapid increase in unemployment has now settled, the decline remains unsatisfactory. In 2013, the average unemployment rate was recorded as 10.9% in the European Union and as 12.1% in the euro area. Notwithstanding, the US managed to reduce unemployment rate to below 8%, after having reached the 10% level in 2009.

Low inflation was the main issue for Europe and the US in 2013. Both the Fed and the ECB have been carrying out a series of cautious policies to maintain inflation at a reasonable level. The measures taken in 2013 on a monthly basis aiming to avoid the long-term risk of deflation proved successful. However, by the end of the year the annual inflation rate decreased to below 1% in the European Union and registered as 1.5% in the US.

Efforts to stimulate economic activity.
In 2013, the developed countries concentrated on preventing price disparities and stimulating economic activity. At the beginning of 2013 the focus was on recovery of the debt crisis, whereas in the second half of the year the Fed's plans on tapering the bond buying program set the agenda. The Fed's announcement of the tapering prompted capital outflow from the emerging markets, breeding currency depreciation and volatility in the domestic market. The statement made in September concerning postponement of the decision brought only temporary relief to the developing economies, while ongoing uncertainty as of December 2013 accelerated the volatility in foreign exchange rates and the domestic market. In 2013, rather than the tapering itself, ambiguity over the possible timing was more influential on the economic situation, particularly in developing countries. The Fed announced in December that the program would be launched in January 2014.

In 2013, emerging countries were exposed to developments in the advanced economies. Accordingly, Turkey took measures to manage risks arising from these developments and pursued cautious monetary policies.

Turkish economy followed a volatile course.
Global financial distress throughout the year also affected the Turkish economy. In 2013, domestic macroeconomic data was particularly shaped by foreign factors. Therefore, Turkey's economic performance in 2013 was in line with expectations.

By the end of 2013 the annual inflation rate registered at 7.4%, thus above the medium-term program target. Although the current account deficit increased in 2013 compared to the previous year, the current account balance, excluding gold, has been improving. The ratio of the current account deficit excluding gold to GDP is expected to register as 6.1% in 2013 compared to 6.8% in 2012. The medium-term program projects this ratio declining to 5.2% by 2016.

Depreciation of the Turkish lira has been excessive in 2013, having slumped to record lows. As in other developing economies, the depreciation in July and August was a response to the possibility of the Fed launching the tapering the bond buying program in September. Although the volatility of the Turkish lira abated somewhat in September, it surged again in the latest months of 2013 mainly due to the foreign factors and due to the domestic unrest in the last weeks of December. Compared to the end of 2012, the Turkish lira depreciated by 20.1% against the US dollar and closed the year at 2.13; meanwhile depreciation against the euro was at 25.2% resulting in a trade value of 2.94. Influenced by domestic developments in addition to the reaction to the Fed's decisions, 2013 was an unfortunate year in terms of exchange rates; however, Turkish lira is expected to appreciate thanks to the cautious monetary policies and Turkey's sound economy.

[1] IMF World Economic Outlook, October 2013

The 2013 Medium-Term Program growth expectation was revised to 3.6% as a result of these unexpected global and domestic developments. The GDP growth target was set at 4% for 2014; and 5% for 2015 and 2016. Following the rebalancing at 2.2% in 2012, Turkey managed to accelerate its growth (3% in Q1, 4.5% in Q2, and 4.4% in Q3), despite global fluctuations, thereby proving its responsiveness to domestic and external shocks.

Employment figures remained stable.
The double digit unemployment rate at the beginning of 2013 started to decline in April, but only temporarily, surging again to around 10% level in the last months of the year. The unemployment rate which was 10.1% by the end of 2012, had decreased to 8.8% in the first half of 2013. The slowdown in the unemployment rate from the 16.1% level of 2009 is expected to continue in upcoming years.

One of the main reasons for the slow pace of decline in unemployment is the upturn in the labor force participation rate. Improvement in the employment status is perceived as weak according to high unemployment rate due to the increasing labor force participation rate. Considering employment with the mentioned factors like labor force participation rate, it can be clearly interpreted that the unemployment has been declining since 2009.

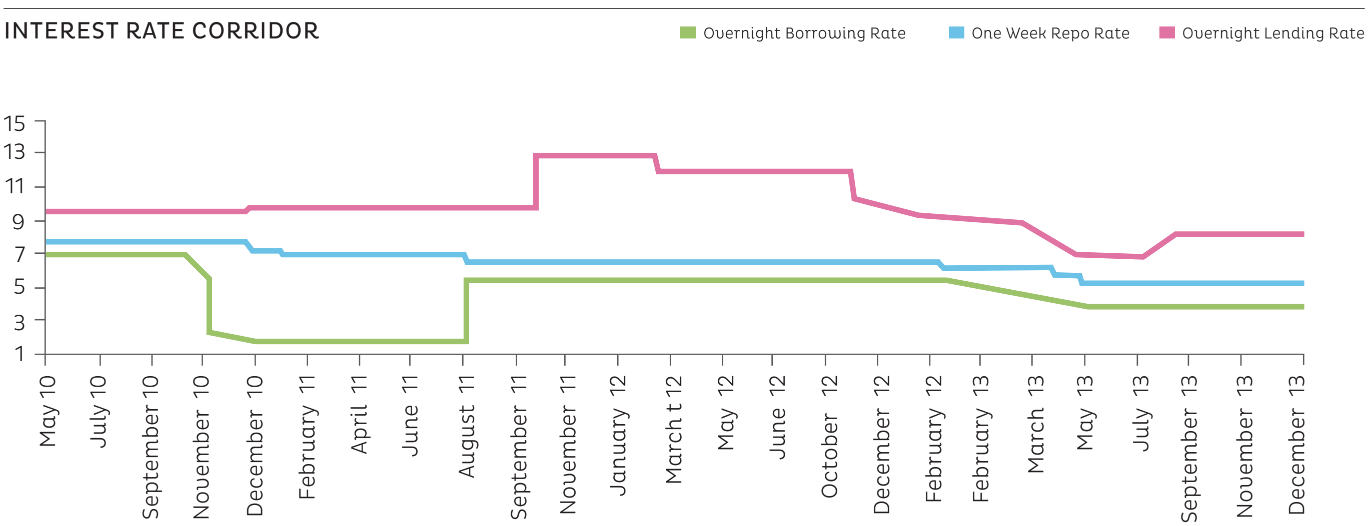
Inflation registered higher than the expectation.
Inflation decreased to single-digit from double-digit levels thanks to successful policies implemented over the past decade, and it closed the year at 7.4%, while the target was set at 5%. In spite of the 6.2% inflation rate at the end of 2012, the lowest inflation in the prices was recorded at 6.1% throughout the year, reaching 8.9% by the end of the first half. As per the Medium-Term Program, the annual inflation target for 2014 was determined as 5.3%, decreasing to 5% in 2015 and 2016. International developments, domestic policies and economic developments remain influential on the level of inflation. The Monetary Policy Committee of the Central Bank of Turkey will preserve its cautious position by implementing necessary measures.

Cautious monetary policy
The Monetary Policy Committee has taken a number of measures throughout the year to control the interest rate corridor in order to strengthen the economic balance. Consequently, by the end of 2013 the overnight borrowing and lending rates registered at 3.5% and 7.75%, respectively, thus below the respective 2012 rates of 5% and 12.5%, providing a narrower interest rate corridor. Further constricted to 3.5% and 6.5%, the Committee extended the corridor due to the high inflation rate and depreciation of the Turkish lira towards the year-end.

Implementing additional tools along with the interest rate corridor, the Monetary Policy Committee carried out a tightening policy by terminating one month repo auctions in November to decrease the interbank money market rates to 7.75%.

Current account deficit excluding gold declining.
Despite the rising deficit in 2013, a major problem faced by the country, the current account deficit excluding gold has been improving. According to the Medium Term Program, the current account deficit excluding gold is expected to be 6.1% in 2013 and 2014, compared to 6.8% rate in 2012.

INTEREST RATE CORRIDOR



Source: CBRT

→ ECONOMIC OUTLOOK

The challenges in relation to the current account deficit are mainly attributable to problems arising from decreasing domestic and foreign demand. Globally, trade flow decelerated and domestic demand decreased around Europe because of the economic distress of recent years. Durable consumer goods are one of the main factors behind the reduction in demand. The decrease in demand for durable consumer goods, one of Turkey's main export items to Europe, adversely affected the current account deficit this year. However, following the demand increase, international trade is expected to pick up again and the growth in the current account deficit is set to decelerate.

Additionally, in 2013, in line with its market differentiation strategy, Turkey entered into new export markets in North Africa and the Middle East. The Central Bank of Turkey expects the trade volume to grow over the coming years, and the current account deficit problem to mitigate thanks to a more favorable trade balance.

Central government budget deficit decreased.
The central government budget deficit decreased to TL 18.4 billion in January-December 2013 period, from TL 29.4 billion (2.1% of GDP) in 2012. The primary surplus rose to TL 31.5 billion in 2013, from TL 19 billion in 2012 (1.3% of GDP). Both the central government budget deficit and the primary surplus outperformed the Medium-Term Program targets, which were set at TL 19.4 billion and TL 31.1 billion, respectively.

In line with the acceleration of the economic growth, increase in the budget revenues together with the rise in the tax revenues helped improve the budget balance. Consequently, the central government budget displayed a better performance compared to the previous year. Clearly outperforming the targets in 2013, the budget deficit and the primary surplus are expected as TL 33.2 billion (1.9% of GDP) and TL 18.8 billion (1.1% of GDP) in 2014 according to the Medium-Term Program.

Upward trend in Turkey's credit rating persists.
Standing out for its solid economic fundamentals, growth potential and robust stance, Turkey attracts the attention of credit rating agencies to receive a rating increase. Accordingly, in May 2013, Moody's increased Turkey's rating from "Ba1" to "Baa3" and set the outlook at stable. Thus, Turkey received its second investment grade rating following Fitch's upgrade in November 2012. Structural reforms in public finance and the economy were the key drivers of Moody's rating increase.

Although the second half of 2013 was an unfortunate period, the Turkish economy, which is based on solid fundamentals, is expected to recover rapidly and receive additional rating upgrades, as a result of successful economic performance.

Turkey's Credit Rating	Standard & Poor's	Moody's	Fitch
Year-End 2011	BB (positive)	Ba2 (positive)	BB+ (stable)
01.05.2012	BB (stable)		
20.06.2012		Ba1 (positive)	
05.11.2012			BBB- (stable)
Year-End 2012	BB (stable)	Ba1 (positive)	BBB- (stable)
27.03.2013	BB+ (stable)		
16.05.2013		Baa3 (positive)	
24.10.2013			BBB- (stable)
Year-End 2013	BB+ (stable)	Baa3 (positive)	BBB- (stable)

Source: Turkish Tresury

SECTOR OUTLOOK

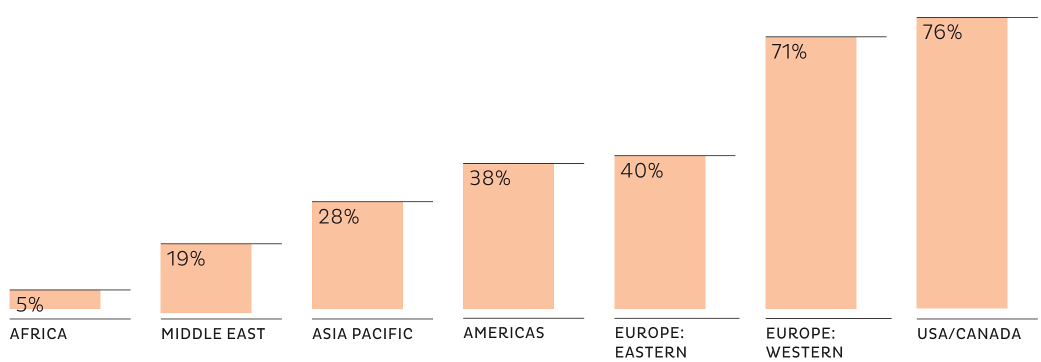
GLOBAL TELECOMMUNICATIONS SECTOR

BROADBAND MARKET

Broadband technology is still witnessing expansion in the global telecommunications sector. In terms of technology, operators respond to the high speed offers of cable operators with high speed fiber capability. Consequently, due to increasing service quality, the share of high-speed subscription in net subscriber gains is rising as users demand more and wider content via broadband. While the market is contracting in developed markets, as an emerging market, Turkey maintains high growth potential, thanks to its young population and number of households without internet access.

The main driver of expansion of internet usage is exponential growth in content. The increase in supply is rapidly consumed, thereby benefiting both service providers and producers in the eco-system. The use of the internet is expanding rapidly, as a result of growing media consumption (e.g., movies, series, and short videos) and increased access to social media and information sources. OTT applications, and particularly video, motivates users for to go online more often. Video applications such as YouTube, Tivibu Web and Netflix require users to access unlimited high-speed Internet to enjoy a high-quality experience. In turn, the need for constantly rising quality standards and variety in demands lead continuous infrastructural improvement.

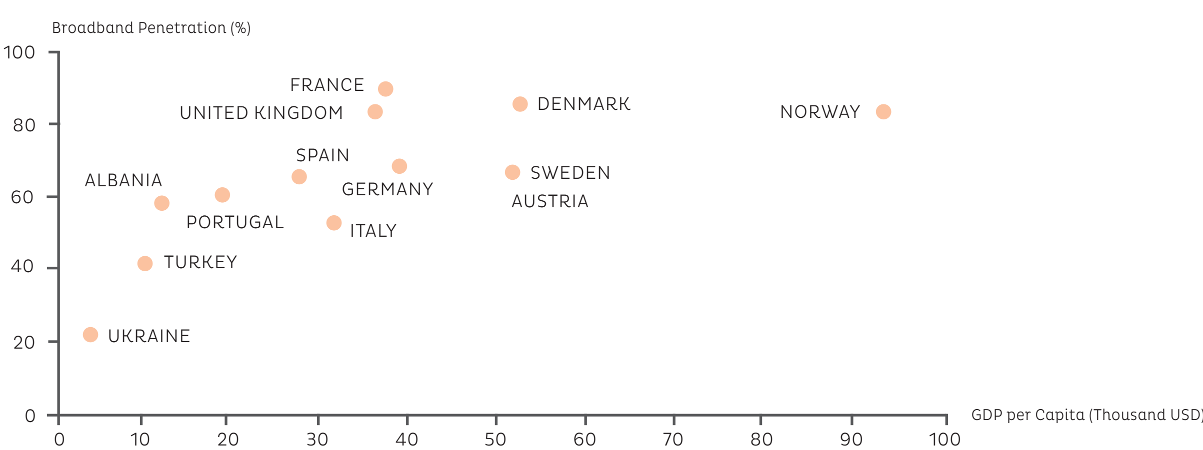
HOUSEHOLD BROADBAND PENETRATION IN WORLD (%)



Source: Analysys Mason

* Turkey is included in Central Eastern Europe group.

BROADBAND PENETRATION BY COUNTRY (%)



Source: Analysys Mason

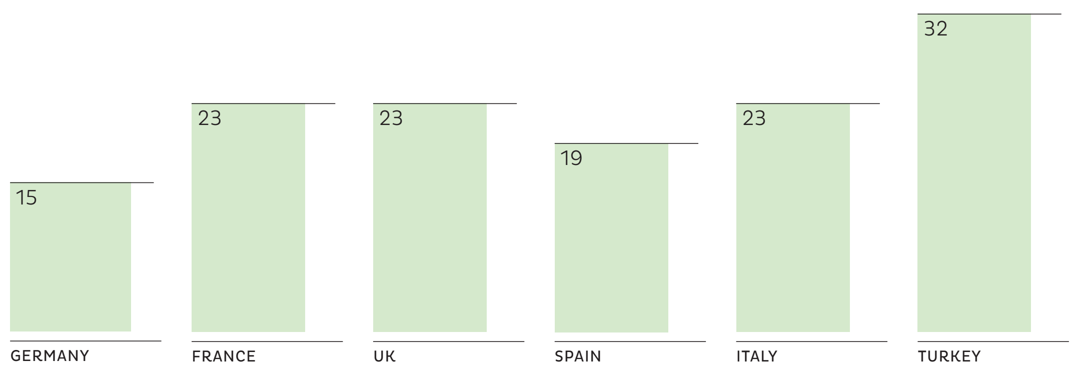
Fiber connection: An indispensable service

When compared to the rest of the world, Turkey has passed many countries in terms of data usage. The high-capacity fiber connection has become an essential service, as more devices require today internet access with the proliferation of smart homes in addition to individual users.

In the Pay TV market, the IPTV platform is rapidly developing, while its progress is dependent on the quality of the fiber infrastructure. Therefore, the DTH platform remains at the forefront in the markets. The more the operators expand their fiber infrastructures and offer a broader content, the larger number of households will access the IPTV platform. In addition, the IPTV has certain advantages over the DTH, with its interactive nature and more targeted advertising opportunities.

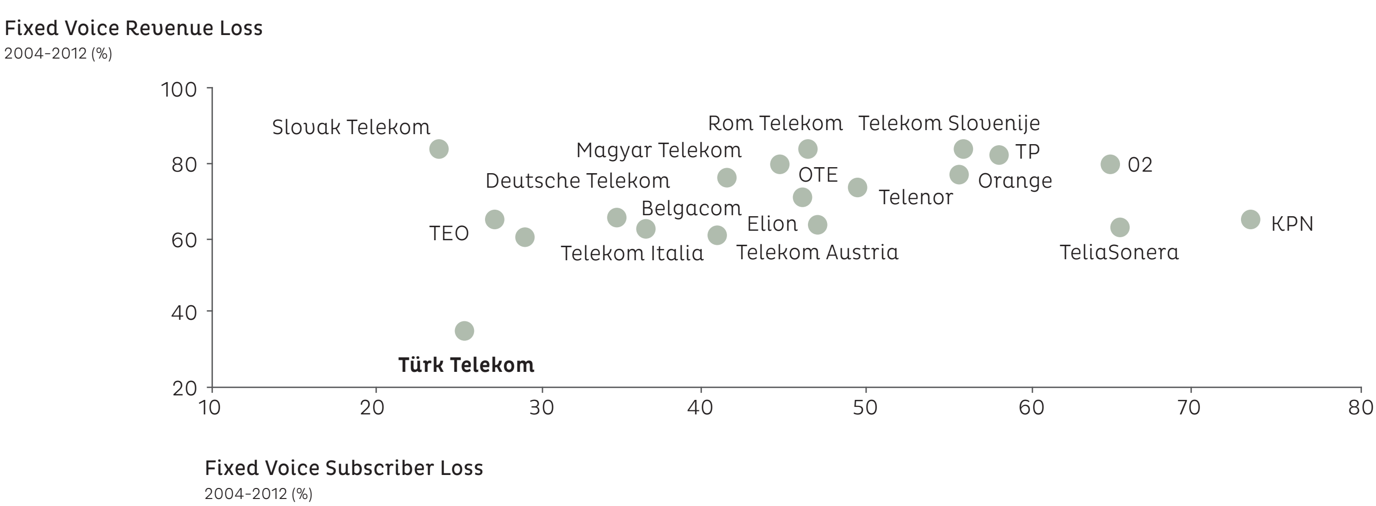
The fixed voice segment continues to shrink in the developed telecommunications markets. Rather than a standalone service, fixed voice has started to be offered to customers as a part of a bundle. VoIP has no negative impact on the PSTN in the Turkish fixed voice market and does not change the market direction.

2013 EXPECTATIONS OF INTERNET DATA USAGE BY COUNTRIES (GB)



Source: Analysys Mason

* The data for Turkey consists of the first nine-month of 2013.



Source: Analysys Mason

Internet triggers the development of cloud technology.
The development and expansion of the internet throughout the world has also triggered the emergence of cloud technology solutions. Accordingly, traditional business applications have become more convenient and accessible to companies of all sizes. While large companies adopt cloud solutions for maintenance and functional requirements, for SMEs it is mainly an opportunity to transform their IT infrastructure. Market research firm IDC reveals the expected global growth of IT services for 2013 at 5%, while Gartner's projection for the global growth of cloud services is 26%. Improved confidentiality, security and integration efficiency, as well as expansion of mobile devices and mobile application will contribute to the adoption of cloud services. Operators are also expected to broaden their existing hosting services with extended cloud technology portfolios.

There are various models in the world ranging from the offering of comprehensive smart home solutions to single smart home devices such as thermostats, smoke detectors, and white goods. Arthur D. Little, a technology consulting firm to the world's leading companies, projects European smart home market growth 12% annually until 2020. The smart home/city concept is a brand new field for Turkey, open to development. The projection for Turkey involves smart homes that use energy efficiently, allow for remote access, and increase the quality of life. These smart homes will become components of smart cities designed with superior urban planning offering the citizenry high-end technology.

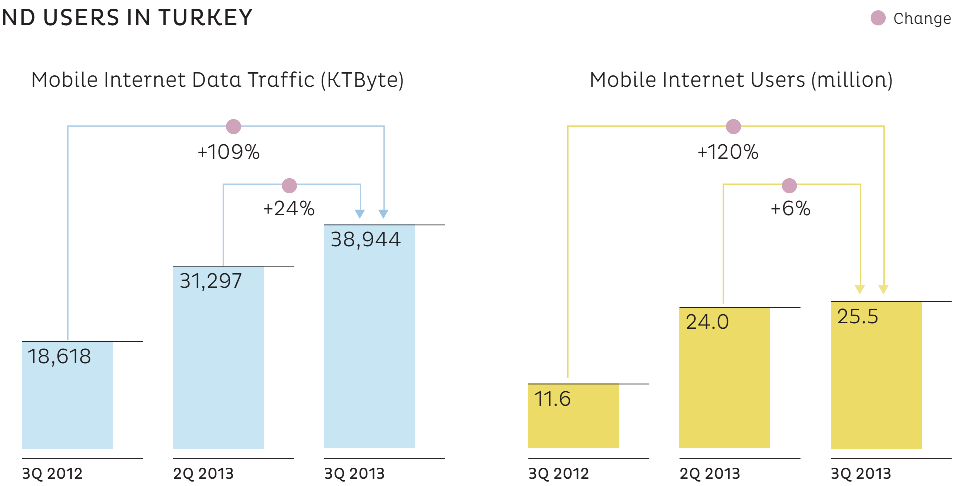
MOBILE MARKET

While the largest segments of the world mobile market revenue are voice and SMS, the share of data and data-driven value-added services is constantly growing. As smartphone penetration rises globally, mobile customers demand access to smart solutions more conveniently and efficiently. Ericsson Mobility's November Report reveals that as of the end of 2013 the penetration of smart phones in the global markets is projected to be between 25% to 30%, and expected to have risen to 60% by 2019. As a result, data-driven value-added services become increasingly important. Market research firm Ovum projects mobile content revenues doubling in emerging markets by 2017 to 30 billion Dollars.

The number of mobile internet users and total traffic are rapidly increasing both in Turkey and the global market. Mobile internet traffic is expected to have accounted for 20% of total internet traffic by the end of 2013. The demand for high-capacity coupled with high-speed expectations requires operators to support advanced technologies. Accordingly, Avea launched its Mobile Plus product, which offers 4 times faster (maximum 84 Mbps) technology than standard 3G, using dual carrier and dual antenna. Also preparing for the arrival of 4G technology, Avea conducted a test in April 2013, reaching a speed of 300 Mbps for the first time in Turkey, as the first operator to obtain LTE Advanced testing authorization.

LTE: 4G in telecommunications is 4^{th} generation wireless telephone technology and the successor of 3G and 2G standards. The connection speed is expected at approximately 100 Mbps on mobile phones and 1 Gbps on Wi-Fi networks.

MOBILE INTERNET DATA TRAFFIC AND USERS IN TURKEY



Source: ICTA 2013 Q3 Report

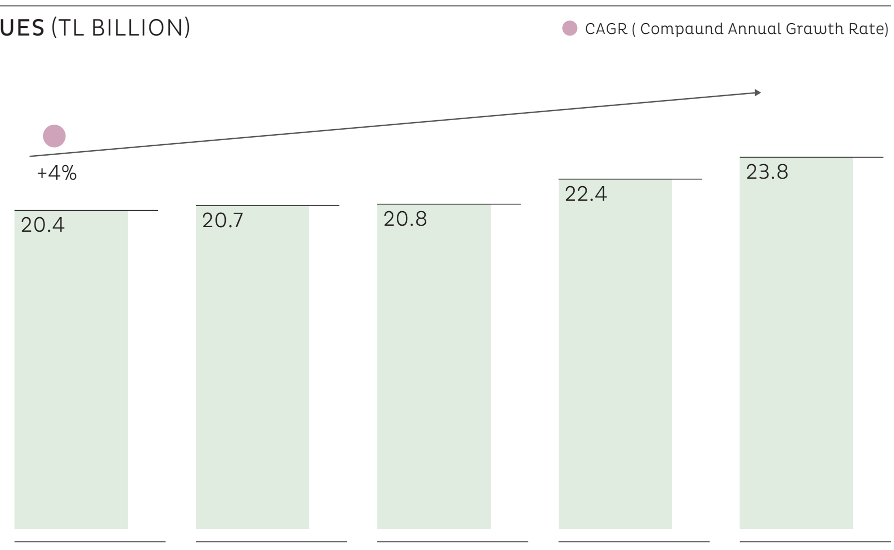
According to the market research firm Ovum, in the next five years, it is expected that; profitable strategies in the market will be focusing on innovative approach towards service and price formation, and that network optimization, operational efficiency and creative approaches in joint ventures will be the crucial components of cost management. According to another market research firm Analysys Mason, as mobile data traffic increases and as technologies (LTE, MIMO ve HSPA) used to develop 3G spread out, the unit cost of each MB data traffic transmitted decreases. Thus, as a result of the investments made for the development of 3G technology and 4G, it is expected that data traffic transmission costs will decrease gradually.

LTE's success depends on factors such as; infrastructure quality (spectrum, capacity...), coverage width/quality, number of LTE compatible devices in the market, pricing. In England, EE company commercially started to provide LTE nearly a year before its competitors and showed more successful performance compared to them regarding infrastructure quality, coverage width. However in Sweden TeliaSonera, another company which started to provide LTE before its competitors, could not show the same successful performance due to the number of devices, coverage etc. Spectrum is a primary issue for LTE. According to GSMA data there is broadcasting at frequencies 1.800, 800 and 2.600 in the world. Similar spectrum must be adjusted also in Turkey. The fiber infrastructure of the local operator is critically important for transmitting the data traffic which is expected to increase with LTE.

THE TURKISH TELECOMMUNICATIONS SECTOR

TELECOMMUNICATIONS SECTOR REVENUES (TL BILLION)

Turkey is one of the most important and rapidly growing markets in the region with its young, dynamic population and developing economy. The contribution of the Turkish electronic communications sector to GDP at current prices had reached 2% by the end of 2012. Constantly growing telecommunications sector revenues, i.e., the total revenues of Türk Telekom, Avea, Turkcell, and Vodafone, recorded an average annual growth rate of 4% between 2008 and 2012. The 9-month telecommunications revenues also rose by 5% as of September 2013 compared to the same period of 2012.



Source: ICTA Market Reports

FIXED VOICE MARKET

Fixed line telephone services are being replaced with mobile telephone subscription; especially in developed markets where the market penetration of mobile services is saturated. Parallel to the downward trend in developed markets, penetration of fixed line telephony dropped to 69% in the third quarter of 2013 according to 2012 year-end number of households. However, when considering that the average number of people per household is 3.69, the use of fixed line telephone services is still prevalent in Turkey. The incumbent operator of the fixed voice market with a market share of 93%, Türk Telekom, continued the "Free Calls from 7 p.m. to 7 a.m. between Fixed Lines" campaign in 2013, which was launched in previous years to maintain the customer base and promote the use of fixed line telephony.

The company also introduced the "Free GSM Calls from 7 p.m. to 7 a.m." campaign between April and June 2013, which provided fixed line telephone subscribers unlimited calls (3,000 minutes) from their home numbers to mobile phones for free within the aforementioned time period. "Wholesale Line Rental" regulation that entered into force in 2012, allowed alternative operators to desing their own tariffs and offer flexible rates to their customers. Türk Telekom's subsidiary TTNET also provides broadband services in the same offer with TTNET Alo, a wholesale line rental product.

BROADBAND MARKET

The Turkish fixed broadband market presents strong opportunities for investment. 41% broadband penetration ratio per household in Turkey as of September 2013 is lower than the European average of 60%, which reveals a significant growth opportunity. Share of fiber subscription is constantly growing compared to the number of xDSL and cable Internet users. The transition from xDSL to fiber accelerated as a result of the ICTA's decision in 2011 to promote the expansion of fiber internet access, and to enhance infrastructure-oriented competition. Türk Telekom's investments helped the fiber segment to grow even faster. As of the third quarter of 2013, fiber's share in the broadband market had reached 11.9% with 967,000 subscribers.

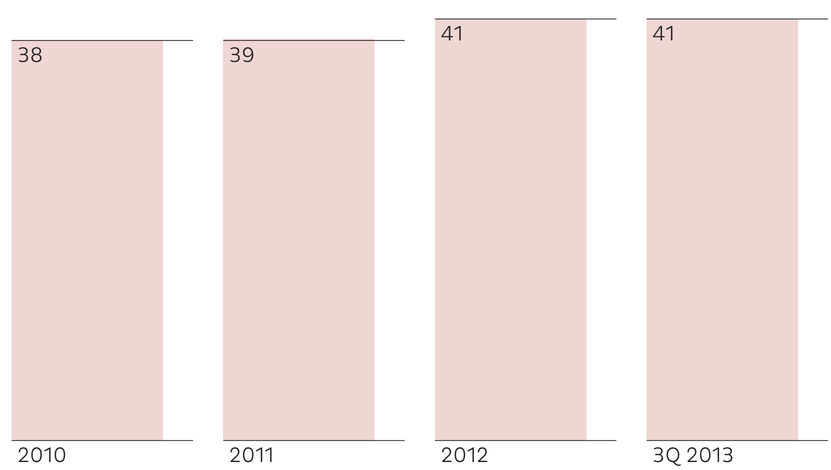
Substantial progress in fiber infrastructure

Fiber transformation continued in 2013, while Türk Telekom registered significant progress in terms of fiber infrastructure in 81 cities throughout Turkey. As of 2013 Türk Telekom's fiber infrastructure had reached 182,000 kilometers in length from 168,000 in the previous year. The fiber length of alternative operators totaled 44,725 kilometers as of the third quarter of 2013. Fiber network coverage reached 2.5 million home passes in 2013 compared to 1.9 million in the same period of 2012.

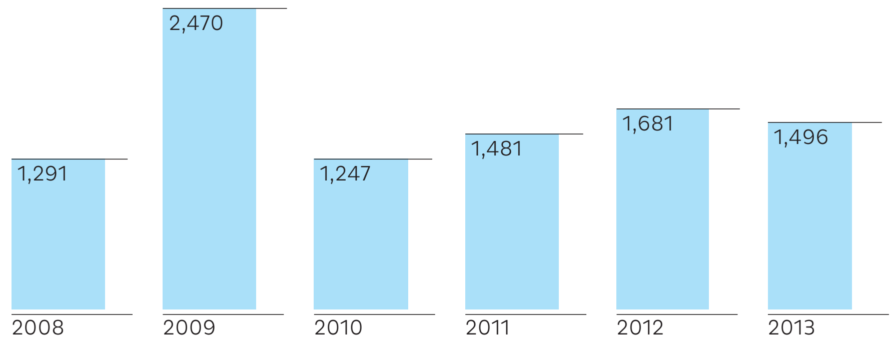
HOUSEHOLD BROADBAND PENETRATION IN TURKEY (%)

Significant Step in Education

Commenced in 2013, the FATIH Project aims to set up an internet infrastructure and make the necessary hardware and teaching material available in every school across Turkey with the mission of equal opportunity in education and the improvement of technology in schools. FATIH project also marks a significant step toward expanding the use of the internet and improving the penetration rate with its goal of a tablet PC in every student's home.



TÜRK TELEKOM FIXED LINE INVESTMENTS (TL MILLION)



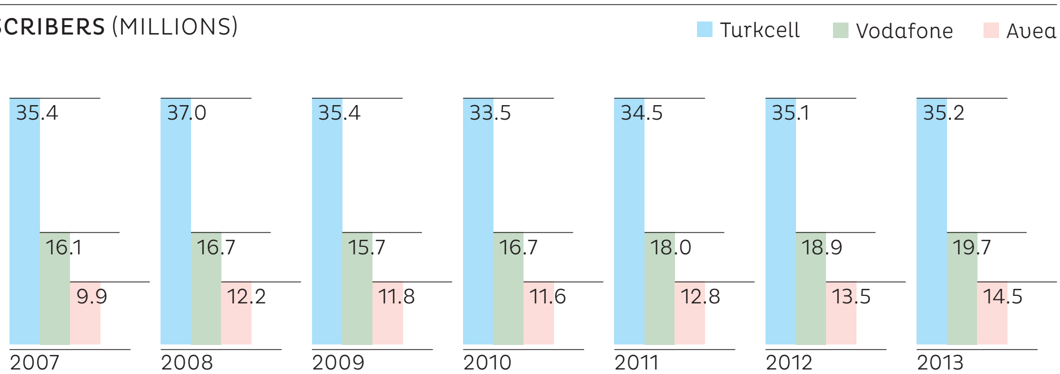
Source: Company Data

Leader in the Broadband Market

The use of broadband internet (download and upload) has almost tripled since 2010 with an annual increase of 42% in 2013. The internet access speed has also increased, accordingly. The share of users with packages of up to 8 Mbps dropped to 72% in third quarter of 2013 from 80% in 2012, while the share of users with packages greater than 8 Mbps increased to 16% from 8% in 2012. In 2013, broadband users requested packages that offer faster access and more data. Türk Telekom maintains its leadership in the fixed broadband market with its 88% market share. Moreover, TTNET, a Türk Telekom Group company, leads the retail fixed broadband market with a share of 76%. The average data usage per month of TTNET subscribers had surged to 38 GB by December 2013 from 15 GB in 2010. Of note, 89% of subscribers use packages of up to 8 Mbps, or packages offering greater speed. This year TTNET also launched its 1,000 Mbps fiber tariff for the first time, offering the fastest internet speed in the market. Multiple package offers expand the broadband market with the offer of IPTV together with faster access and unlimited data use. As of 2013 unlimited data package users had reached 84%, while the number of subscribers of Tivibu TV services totaled 1.8 million.

Türk Telekom has made over TL 9 billion in fixed line investments in the last five years and TL 1.5 billion in 2013. Fiber transformation took a significant share from this investment, while cloud services, IT, VPN, IPTV and digital media were other notable items.

NUMBER OF MOBILE SUBSCRIBERS (MILLIONS)



Source: Company Data

THE MOBILE MARKET

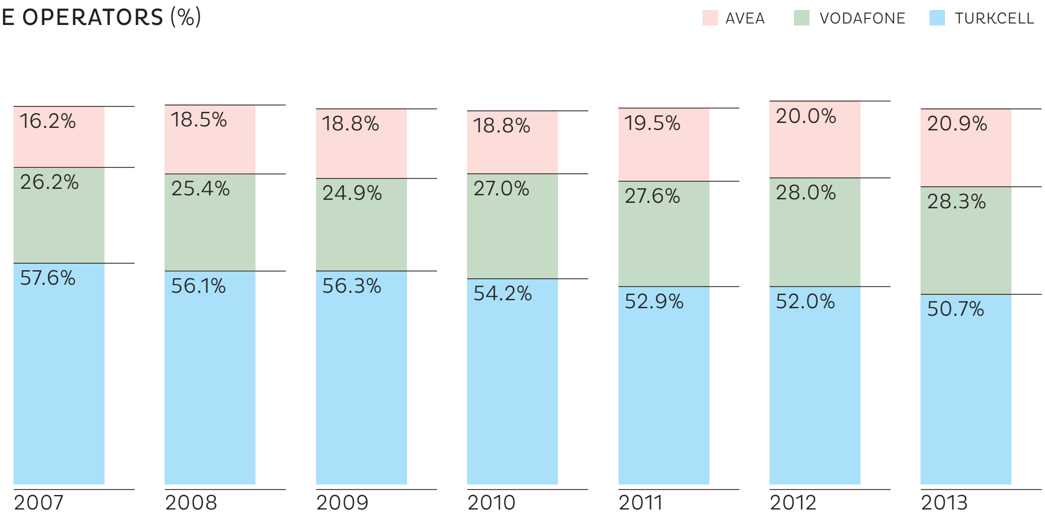
As of September 2013, there were 68.9 million mobile subscribers in Turkey, corresponding to a 91.1% penetration rate. Compared to an average 139% penetration rate in Europe, the Turkish market still presents strong growth opportunities, taking into account the voice and mobile data usage trends of the market. Since 2007, Avea, the third largest market player, had expanded its subscription base by 46% and increased its market share from 16.2% to 21%.

Approximately 62.1 mobile numbers had switched from one operator to another as of November 15, 2013, in light of the mobile number portability regulation introduced in November 2008. In the third quarter of 2013, the number of switches amounted to 2.5 million, which is 28% lower than the same period of 2012. Avea has been the most preferred operator in mobile number portability for 7 consecutive quarters.

MARKET SHARES OF MOBILE OPERATORS (%)

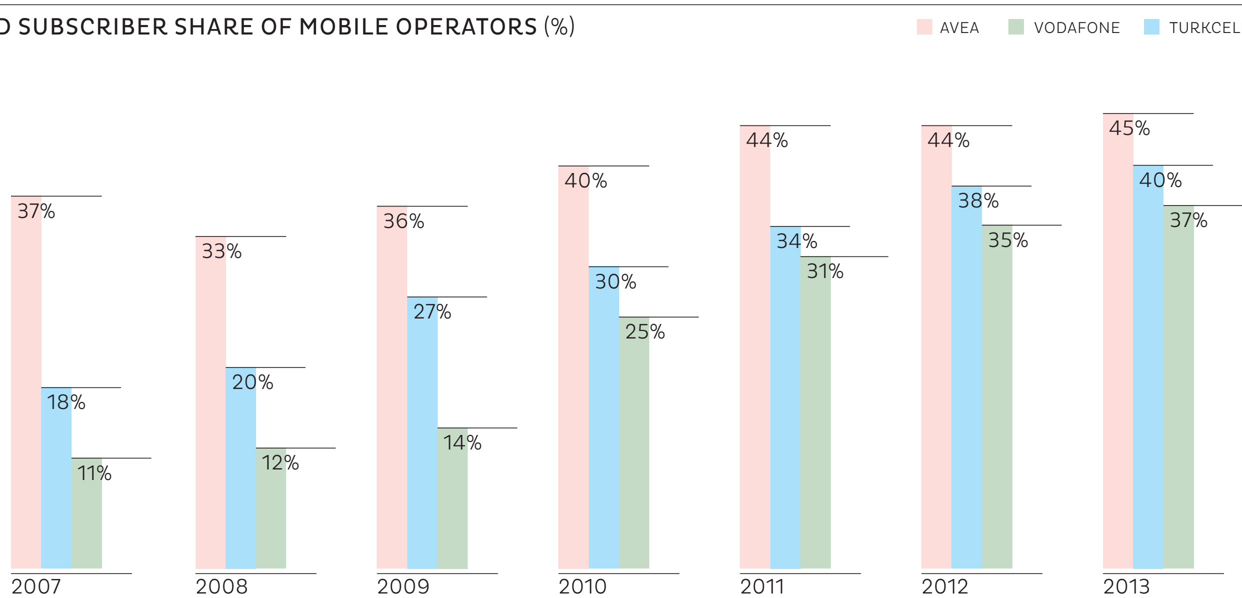
As of 2013, prepaid subscribers constituted 60% of the market as opposed to 40% postpaid subscribers. In European markets, the ratio of postpaid subscribers is approximately 59%.

Avea leads this segment in Turkey proportionally with 45% of postpaid subscribers.



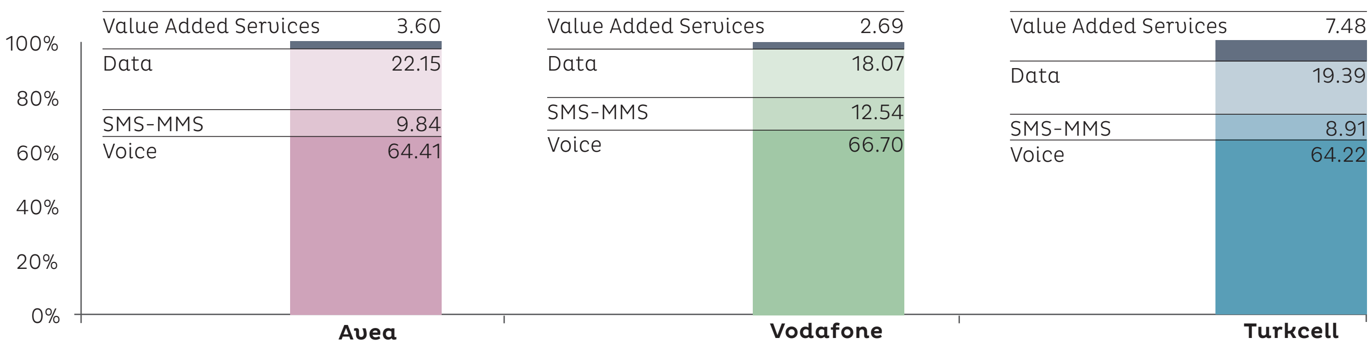
Source: Company data

POSTPAID SUBSCRIBER SHARE OF MOBILE OPERATORS (%)



Source: Company data

REVENUE DISTRIBUTION AMONG MOBILE OPERATORS (%)

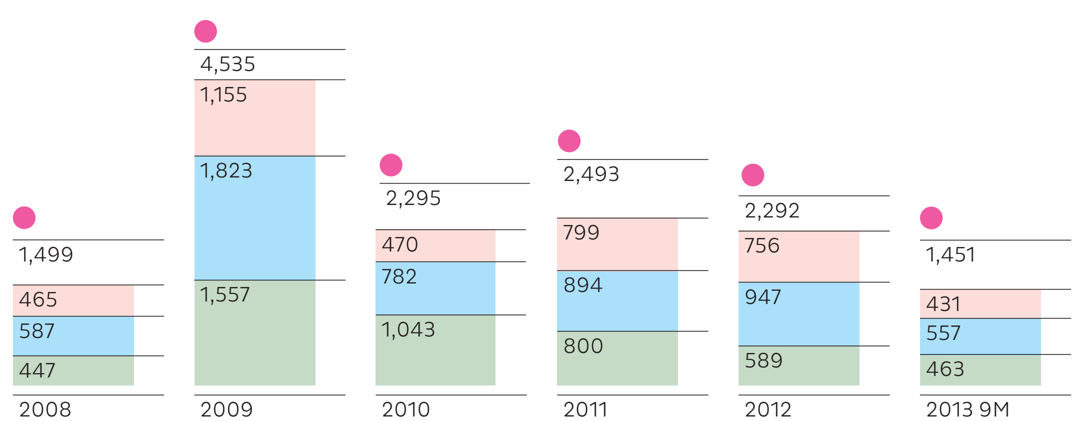


Source: ICTA 2013 Q3 Report

3G Subscribers reached 47.5 million

The competition was more intensive in the first quarter of 2013 compared to other periods of the year. Starting from May 2013, however, competition relatively slackened with respect to the first quarter, as operators increased prices with a variety of offers. The number of 3G subscribers increased to 47.5 million in the third quarter of 2013, from 5.4 million in the same period of 2009. The number of mobile broadband subscribers reached 25.5 million from 219,000 within the same timeframe. The gradually increasing penetration of smartphones in the market played a key role in this development. As of 2013, Türk Telekom Group's mobile operator Avea had the largest smartphone penetration in the market of 37%. Fixed broadband services provide users an unlimited and superfast internet experience. On the other hand, offering a limited service with limited capacity and speed, mobile broadband is a complementary service to fixed broadband with its mobility feature. Investments to improve 3G and to promote the 4G technology continue in the market. ICTA statistics reveal that as of September 2013, the share of data in the total revenues of operators exceeded 18% for each company, from 2.3% in 2009.

CAPEX OF MOBILE OPERATORS (MILLIONS)



Source: ICTA

Turkey takes the lead with the highest number of minutes

As of September 2013, the share of value-added services and data revenues of Avea reached 20% on a 44% rise in data revenues compared to the previous year. Turkey has been the leader among European countries with average monthly minutes of 340. The minutes of usage increased to 366 minutes for Avea in 2013, from 341 minutes in previous year.

ICTA statistics indicate that, partially due to 3G authorization, 2009 was the most intensive year for mobile investments, and this activity continued in 2013 with the improvement and development of mobile infrastructure services.

REGULATIONS

The Information and Communication Technologies Authority (ICTA), the regulatory body of the telecommunications sector, was established in January 2000 under the name of the Telecommunications Authority as an organization with administrative and financial autonomy, commencing its operations in August 2000. The organization was re-named by the Electronic Communications Law, which entered into effect on November 10, 2008. As a specially authorized independent administrative body, ICTA regulates and monitors market entry and market activities, as well as services standards, the creation and protection of competition, the protection of consumer and personal data, and the terms of operations for market players, dispute resolution, and administrative sanctions.

CO-LOCATION AND FACILITY SHARING

As per ICTA's decision No. 187 dated April 12, 2013, all operators authorized to set up and operate fixed electronic communications infrastructure are obligated to implement facility sharing in relation to communications infrastructure and network (e.g., pipes, channels, ducts) as of September 1, 2013. Thus, the entire passive infrastructure became available between the systems of the operators and subscriber distribution box.

REGULATIONS ON MOBILE WHOLESALE AND RETAIL FEES

In 2013, significant regulations were introduced in both wholesale and retail fees. The market analysis for mobile network access and call origination was completed in the first quarter. Meanwhile, call origination, call termination and on-net pricing in relation to voice and SMS services to operators with significant market share, and to Virtual Mobile Network Service operators were determined.

With the introduction of a new regulation in March 2013, the basis of the calculation of average on-net pricing of the operator that has the potential to adversely affect competition, has been re-formulated to include call origination fees in addition to interconnection. The original calculation method was based on sustaining average on-net fees above interconnection prices. The new regulation is also effective on SMS services. Initially, the decision to also implement this basis for the calculation of campaigns was temporarily suspended. Yet according to a new decision on February 1, 2014 the regulation now encompasses campaigns as well. In addition, the mobile interconnection fees for voice and SMS have been updated effective as of July 1, 2013.

In April 2013, SMS interconnection fees were reduced by 75% effective as of July 1, 2013. It was stipulated that the minimum average on-net SMS fee for Turkcell should not remain below a certain value, which equals the SMS termination fee multiplied by 1.71. In June 2013, call termination fees for voice were reduced by 20% for all operators effective as of July 1, 2013. Parallel to the regulation for SMS, it was stated that the minimum average on-net call fee for Turkcell should not remain below a certain value, which equals the call termination fee multiplied by 1.71.

Updated annually in April and October, the maximum fee tariff for retail service prices was increased by 5.7% in April 2013 for all service items excluding local and international SMS and e-invoice services. With the revision of October 2013, the maximum local SMS fee was reduced to 33.25 kurus corresponding to a 20% decrease, effective as of January 1, 2014.

TÜRK TELEKOM GROUP OPERATIONS

With its customer oriented integrated communication solutions, Türk Telekom provides its customers with fast and high quality services.

An expert in technology with diversified products

Türk Telekom provides integrated telecommunications and technology services with global standards. Following the privatization in 2005 and its IPO in 2008, the Company has performed a successful transition and increased its productivity, reduced operational costs, and expanded product and service variety. Today Türk Telekom offers a wide range of services to its customers from fixed line to broadband, GSM, data, and innovative convergence technologies.

In addition to these services, Türk Telekom continued to offer its know-how and technological infrastructure to its customers in the context of cloud technology which provides variable access to shared IT sources (network, server, hosting, applications, and services), enables to decrease cost and provide superior customer experience. In addition, Türk Telekom further advanced its projects in TV services.

Türk Telekom owns a 100% stake in broadband provider TTNET, the convergence technologies company Argela, and IT solutions provider Innova, online education company Sebit, call center company AssisTT, wholesale data and capacity service provider Türk Telekom International and its subsidiaries, and a 90% stake in Avea, one of the three mobile operators in Turkey. As of the end of 2013, Türk Telekom Group has 13.7 fixed line, 7.3 million broadband and 14.5 million mobile subscribers.

Future vision and strategic approach

Türk Telekom is one of the prominent information and telecommunications companies in the region and indeed, in the world, with its robust infrastructure, constantly broadening value-added services, capacity to rapidly integrate ever-developing technology and valuable international collaborations, which further strengthens its regional power.

Türk Telekom committed itself to offering fast and high-quality services to its customers, anytime and anywhere, by providing customer-focused integrated communications solutions. Türk Telekom aims to carry its customers into the future through communication. Accordingly, the company adds value to traditional telecommunications services, while leading the market in new generation communications offerings.

Türk Telekom is committed to the “3D vision”, encompassing “digital life transformation,” “excellent value-driven customer services,” and “globalization and regional growth.” With its 3D vision, the company aims to further improve its technological infrastructure with solutions covering all areas of life as a contribution to the digital transformation of Turkey. These goals are coupled with regional growth and excellent service philosophy.

Türk Telekom’s strategic priorities

Türk Telekom’s strategic priorities for sustainable growth are based on customer-oriented and integrated organization which includes the following:

- Becoming the most preferred operator of residential customers for high-quality integrated communications, digital and entertainment services,
- Becoming the leading business solutions partner of corporate customers in Turkey with high-quality manageable services and customized sector-specific ICT solutions,
- Offering its products and services abroad through international strategic cooperation, partnerships and acquisition opportunities,
- Creating maximum value to its shareholders via increased operational efficiency and improve Turkey’s information and telecommunications infrastructure to at most advanced level with smart investments, and
- Remaining Turkey’s leading telecommunications group with excellent customer experience in all customer processes

TÜRK TELEKOM'S CONSUMER SERVICES

Established in the context of the reorganization in January 2013, the responsibilities of the Consumer Department include developing and launching new products, services, tariffs, campaigns, loyalty programs, device campaigns, and business partnerships; as well as designing and carrying out sales and customer relationship activities in order to retain and expand the residential customer base and increase related revenues.

Department manages sales activities related to residential customers provided at the Türk Telekom offices and distribution channels; monitors channel performance and takes necessary actions to improve, and undertakes the coordination of the sales channels. Aiming to improve consumer experience, the Department is also responsible for measuring channel performance and ensuring the after sales services offered to consumers at the individual, dealer and alternative distribution channels comply with pre-determined quality standards.

Maximizing consumer satisfaction

Türk Telekom aims to maximize consumer satisfaction by offering various benefits to its residential customers through segment-specific strategic campaigns, or special packages. Target consumers are also grouped under micro segments in addition to macro segments on the basis of certain criteria which allows for more accurate identification of consumer characteristics. Türk Telekom implements a market segmentation strategy to develop specific solutions addressing the diversified needs of its customers.

In 2013, Consumer Department focused on women, employed persons, farmers and retired persons as its core segments. The needs of customers within the core segments are identified through market research studies, and various alternatives involving brand partnerships and voice offers are structured to enhance customer benefit.

MAIN CONSUMER ACTIVITIES IN 2013

TT E4 - An innovative smart home phone offered by Türk Telekom

Türk Telekom released TT E4, an innovative smart home phone, in the last quarter of 2013 having launched it at a press conference in November. Designed as an integrated communication device combining various communications services, the TT E4 smart home phone offers similar capabilities of a tablet or smart phone through fixed internet connection. TT E4 features a 4" screen and runs on the 4.2.2 Android Jelly Bean operating system. Using the TT E4 smart home phone, consumers can access the Internet, read e-mails, open and modify office files, sign-in to social media accounts such as Facebook and Twitter, and video chat on Wirofon. The TT E4 is presented for sale with various Türk Telekom and TTNET applications including Wirofon, TTNET Music, Tivibu, BuluTT Rehber (Cloud Contacts Directory), BuluTT Depo (Cloud Data Storage), AkTTar (An application enabling synchronization of contact lists between customers android smart phone and TT E4) and Yardım Rehberim (My Help Directory), which are all pre-installed.

Game console offer

Creating further value for its customers, Türk Telekom's contract-based device campaigns continued with leading device manufacturers. In 2013, 18 different devices from 10 different brands were offered. A gaming console was also offered to subscribers with a 24 or 36-month payment options through Türk Telekom operator channel.

Smart TV offers

In 2013, Türk Telekom provided another new offer to its customers, the Smart TV Campaign in which the payments can be made through monthly telephone bills with a 24 or 36-month contractual commitment. Regardless of the their tariffs, all consumers and corporate customers of Türk Telekom accepting the terms of the campaign were able to utilize the opportunity to buy an LG 32" Smart TV, Samsung 42" Smart TV, or Samsung 46" Smart TV.

Free calls to gsm between 7 pm and 7 am

türk Telekom's "Free Calls from 7 pm to 7 am" campaign, launched in 2012 for consumer segment, continued in 2013. Additionally, the company also introduced the "Free 1,000 Mobile Minutes per month from 7 p.m. to 7 a.m." campaign in the second quarter of 2013. In this campaign fixed line telephone subscribers were provided with free calling minutes from their home phones towards mobile phones. In the second phase, an additional package called as "Dört dörtlük packages" was introduced which especially target those subscribers benefitted from the Free GSM Call campaign. Customers registering to "dört dörtlük packages" were entitled to receive 1,000 additional minutes that covers to make calls to all directions for an additional payment of TL 10 on top of their existing tariff. Starting from March 28, 2013, these packages were offered for TL 5 to customers who give 24-month contractual commitment. Continued throughout the year of 2013, these activities increased the value perception for home phones by providing an opportunity to make calls in all directions.

Joint Campaigns with Group Companies

Türk Telekom Consumer Department carried out various joint campaigns with Group Companies in 2013, in order to enhance Group synergy and contribute to Group performance.

PSTN at a Discount to ADSL Purchasers: Implemented in November and December 2013, customers who purchased a new ADSL subscription from any Internet Service Provider, benefited from discounted Ev Avantaj 100 (Home Advantage) and Sade Hat (Simple Line) tariffs without any contractual commitment.

Free Minutes to Avea Subscribers: In the context of a campaign carried out between October 4, 2012 and December 31, 2013, all fixed voice consumers subscribed to any residential tariff were offered 500 free onnet minutes on their Avea lines, on condition that they made a 12-month home phone subscription commitment.

Brand partnerships

In 2013, Türk Telekom continued brand partnerships initiated in previous years in order to increase customer loyalty and satisfaction. Through collaborations with leading brands including FLO, YKM, KFC, Morhipo, Tepe Home, Jolly Tur, Tekin Acar, Garanti Bank, Altınyıldız, and Soyak İnşaat, fixed voice consumers benefited from additional advantages in various fields.

Third party campaigns

In 2013, the company also carried out customer loyalty programs in cooperation with third parties by providing benefits to fixed voice consumers having home phones. The home insurance policy of Allianz, home security systems of Tepe Güvenlik (Security), as well as emergency health care services and medical coaching of Acıbadem Hospital were among the benefits offered.

Value added services

Türk Telekom aims to maximize consumer satisfaction through value added services. Wirofon, voice mail, SMS, 11811 phone directory, ease of use services, music and fairy tale, books on the phone, woman and child health services are some examples of these value added services.

Wirofon: Wirofon is an application that allows customers to be priced same as their home phone tariff wherever they are in the world by uploading the related application to their mobile phones or computers.

TT SMS: TT SMS enables customers to send SMS from both home and office phones, or over the Internet to mobile, home or office phone numbers.

Ease of Use Services: Ease of Use services are designed to raise the efficiency of telephone services and activated by entering the related operation code to phone devices. By using these services, subscribers can divert their phone to another home phone or GSM line. Call-hold, call-transfer, and call-block services are also available with Ease of Use services.

Voice mail: The voice mail service allows customers to take a call with the current voice message box when the customer is absent or busy. This service also informs customers about urgent messages and caller identity.

11811: 11811 is Türk Telekom's Directory Assistance service, which provides customers with the most up-to-date and accurate home or business phone numbers on a 24/7 basis.
Müzik ve Masal Servisi: Türk Telekom offers families with children, more than 100 stories and 20 songs, available for free by dialing 08003141166.

Ev Avantaj (Home Advantage) Tariffs
Türk Telekom customers subscribed to Ev Avantaj 100, 200, 300, 600, Özgür (Free), Uzun (Long), Akşam (Evening) and Artı (Plus) packages also enjoyed free call minutes through exclusive campaigns in 2013. Ev Avantaj subscribers making calls on weekends enjoyed free--call of 1,000 minutes per month to GSMs every weekend throughout the year without commitment or additional fee. In return for a one-year contractual commitment, new Ev Avantaj subscribers received a complimentary wireless home phone and enjoyed the advantage of making free calls for 500 minutes to local, national, GSM, international, and first level fixed lines. In 2013, different options were offered under the Ev Avantaj (Home Advantage) tariff plan, whereby existing customers obtained free minutes by receiving a discount on their current package prices. Customers switching to Ev Avantaj Dakika (Home Advantage Minute) and Ev Avantaj Artı (Home Advantage Plus) were able to make calls with a 25% discount for three months without any commitment.

Village and GAP Advantage
Launched in March 2013, The Village and GAP (The Southeastern Anatolia Project) Advantage Campaign provided new subscribers with complimentary wireless home phones in return for a 24-month subscription commitment.

Tatil Hat (Holiday Tariff)
Launched in June 2013, the Tatil Hat (Holiday Tariff) Campaign provided Ev Avantaj (Home Advantage) subscribers with the opportunity to use a second fixed line for a certain period of the year that they defined. Subscribers benefited from this campaign free of charge for the first three months without any extra fee.

Free calls within the building complexes
Free Call Service within the Building Complexes was introduced in the last quarter of 2013. With this service, the residents of Building Complexes benefited from up to 3,000 free minutes per month to be used on calls within the complex without any commitment. The free minutes of subscribers who participated in the Free Calls from 7 p.m. to 7 a.m. campaign reached to 6,000 minutes.

Kazanmakmak – TT & TTNET Loyalty Program
Launched in 2011 in cooperation with Türk Telekom and TTNET, the Kazanmakmak Loyalty Program continued in 2013 as well. Members collect points by using Türk Telekom and TTNET products and redeem those points for various rewards including Türk Telekom, TTNET or Avea products and services, magazine subscriptions, licensed football club merchandise, such as jerseys, balls, and gift cards.

TÜRK TELEKOM CORPORATE CUSTOMER SERVICES
The Corporate department was established to focus on opportunities in the wholesale and corporate segments and to increase Türk Telekom's strength and efficiency in an intensely competitive environment.

Turkish Statistical Institute (TÜİK) data reveals that there are more than 3 million business entities in the corporate segment. The number of companies employing over 10 people is at approximately 200,000, while remaining companies are classified as micro businesses. The communication needs of these business entities are constantly evolving, in line with the developing Turkish economy and global dynamics. Complex products and services are required in order to satisfy those needs. Türk Telekom is the main pillar of the entire eco-system in the corporate segment with its strong infrastructure and leading role in terms of the basic service set.

The needs of corporate customers vary according to diverse parameters including company size, sector, location, and headcount. These diversified expectations create different main product categories in terms of data access, data network and voice services, as well as customized vertical services.

Customized solutions
In line with Türk Telekom's customer-oriented approach, products addressing various needs in the corporate segment are classified under Large Enterprises, Public, SME, and Craftsmen categories. Diversified solutions were developed for each category by utilizing the synergy of Türk Telekom's business partners in the eco-system and Group companies. While meeting its revenue and growth targets, Türk Telekom also attached great importance to the excellence of after sales experience and customer satisfaction.

At the end of 2012, the Corporate department introduced a new organizational structure based on the needs of corporate customers and the market. The corporate marketing and business development teams carry out the process of identification, development, and pricing of new product needs, including matching them with customer needs and bringing them to the market.

Sales activities
In line with market characteristics, sales teams handle the sales process through direct and alternative channels and under the four segments of Public, Strategic and Large Enterprises, SMEs and Wholesale. In 2013, sales channels diversified based on customer expectations were re-structured. A comprehensive training program was organized for all teams having direct customer contact, including the call center and the field force.

→ **TÜRK TELEKOM GROUP OPERATIONS**

MAIN CORPORATE ACTIVITIES OF 2013

Throughout 2013, operators and service providers continued their investments in cloud and data center services, intensify competition and grow their market shares. Türk Telekom Corporate department achieved a meaningful growth in this period by emphasizing customized solutions addressing the needs of the corporate segment.

- In order to address corporate customers' needs by providing an end-to-end service in the data center segment, Türk Telekom prepared the Corporate Customer Professional Service Catalogue. Addressing all information technology needs of corporate customers in addition to their voice and data needs, Türk Telekom aimed to offer customized solutions and services in an integrated format.
- Numerous end-to-end professional corporate services were launched addressing the data center needs of public enterprises.
- Various successful cooperation projects were accomplished, particularly in the banking and finance industry through Unified Communication Services.
- Through new projects under public segment, significant revenue contribution is created. Service continuity was ensured especially through long-term protocols executed in relation to TTVPN.
- The SCADA infrastructure service offered to the energy industry enabled automation at more than 1,000 transformers.
- The E-Invoice Special Integrator License is one of the most significant gains of 2013, obtained as a result of a project carried out throughout the year.
- Among products of high priority in 2013, BIZ single package campaigns and various BuluTT cloud products developed based on data center technology were communicated to the market throughout the year.
- In the third quarter of 2013, BuluTT Radyoloji (cloud radiology) was launched and BuluTT Ölçüm (cloud measurement) was re-launched, where both target the health-care sector with a special focus on public and strategic customers. The introduction of BuluTT Depo (cloud storage) expanded the product portfolio by offering storage solutions to SMEs. The needs of educational institutions were met with the BuluTT Akademi (cloud academy) product through revised projects, while new agreements were signed with universities. Providing security solutions to companies, BuluTT Göz (cloud eye) was further improved. Meanwhile, during the approval process of the Cisco CMSP program, it was confirmed that Türk Telekom's business processes and infrastructure in the cloud and managed services areas met the highest standards.
- Türk Telekom has become a member of the most reputable institution in the cloud technology industry, Cloud Security Alliance (CSA), which was established to set the highest level of security in terms of cloud technology solutions. Türk Telekom was the first Turkish member of the CSA.
- Türk Telekom aimed to meet demand through various campaign models offered in the context of business partnerships with SMEs and small-scale craftsmen. The Cepte Bedava campaign, one of the BIZ packages developed as a joint offer by TT, TTNET and AVEA, was revised and re-launched. Single package (fixed voice, broadband and mobile voice) and Esnafa Bayram offers were introduced to the market.
- Türk Telekom is planning to exploit opportunities in the market and sustain growth through unified communication services in the upcoming periods.

Unified Communication Services: : UC technology that integrates all kinds of automated human – device interfacing is expanding rapidly to accelerate business processes, minimize the delay in communication, and provide users with device-independent solutions. As a model providing people with communication opportunities over different platforms, UC offers employees customized solutions based on their job specifications. Offered to date under the concept of managed services, Türk Telekom's corporate services such as the Virtual Centrex and the VPN were re-designed to meet specific business needs, and reintroduced to corporate customers under the Unified Communication name. In this context, the end-to-end communication needs of customers are met through turnkey projects developed for the corporate segment.

Data Center and Cloud Solutions: Data Center and Cloud Solutions meet both the VPN and voice, as well as information technology needs of corporate customers. In 2013, we submitted proposals to, and reached agreements with, certain public institutions in terms of design of and consultation on disaster recovery systems, as well as the fulfillment of their data center requirements.

Other corporate services and packages:
Fiberlink: Launched at the beginning of the year, Fiberlink is a significant connection service that provides symmetrical band width and point-to-point secured access via the fiber infrastructure
BİZ Packages: In 2013, new tariff plans and applications were launched based on fixed voice service in order to provide customers with flexibility and user-friendliness. Customers who apply for İş Avantaj BIZ (Business Advantage package) and İş Avantaj Her Yöne (Business Advantage Package for All Directions) packages benefit from free minutes in all directions without an extra device, by selecting the most convenient package.
Esnafa Özel Tarife (A Tariff Specific to Craftsmen): Esnafa Özel (Specific to Craftsmen) was introduced in March 2013 to meet the communication needs of customers within the craftsmen segment.
Kurumsal Havuz (Corporate Pool): Under Kurumsal Havuz corporate customers can share the package minutes of preferred lines. Thanks to this pool, corporate customers with more than one fixed line can achieve cost saving by combining their package minutes.
TT Virtual Centrex: Introduced as the ideal service for companies that need flexible communication systems, TT Virtual Centrex offers various convenient services with added-value, in addition to standard Centrex features.

TÜRK TELEKOM GROUP COMPANIES

AVEA

Operating with the vision of becoming “the favorite and most preferred mobile communication company of Turkey”, Avea remains its customers’ mobile life partner, staffed by content and innovative employees, and sustaining its leading role in offering technologies that make the life easier.

Hayat değişir Avea'yla

14.5

MILLION SUBSCRIBERS

22.3

TL ARPU

3.8

TL BILLION SALES REVENUE

584

TL MILLION EBITDA

www.avea.com.tr

Adopting the principle of making investments that adds value to the community and future generations, Avea provides high-quality innovative services to its customers with an advanced infrastructure and technology investments. The company went through a major transformation recently and continued its solid growth performance also in 2013. Avea reached 14.5 million subscribers by the end of 2013, has entered into roaming agreements with 677 operators in 205 countries.

In recent years, Avea has made significant investments not only in its human resources, infrastructure and stores, but also in its brand name, creating a simple, affordable and diversified set of advantages addressing differentiated functions. The company has established an optimistic and exciting brand identity that challenges the competition and barriers to success.

Avea’s logo was also renewed in June 2013 in step with the corporate transformation. The new emblem and slogan integrated to the logo represent Avea’s pledge to hope and happiness, while its colors speak of functional simplicity, plenitude and variety.

2013 PERFORMANCE INDICATORS

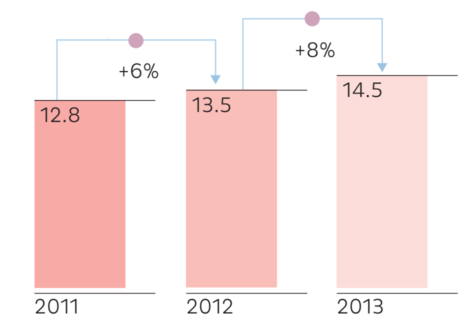
SUBSCRIBER BASE AND MARKET SHARE

Percentage Change

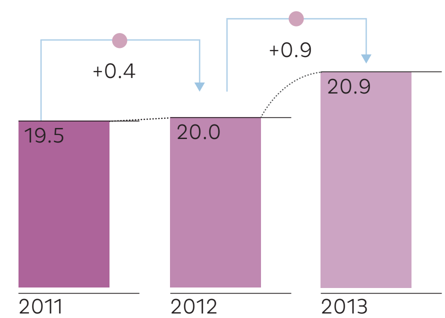
Expanding subscriber base and market share

By the end of 2013, Avea expanded its subscriber base to 14.5 million with an annual increase of 8%. Accordingly, Avea became the operator with the largest market share growth in 2013.

Expansion of Subscriber Base (million)



Subscriber Market Share of Avea (%)



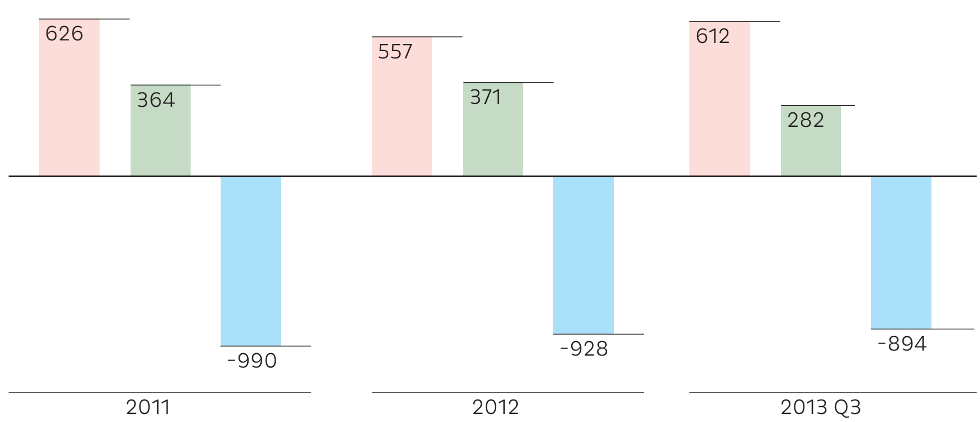
Source: Company Data

MOBILE NUMBER PORTABILITY NET ADDS (THOUSAND)

AVEA VODAFONE TURKCELL

Leader in MNP

One of the main factors supporting Avea in increasing the number of its subscribers is its uninterrupted leadership in number portability for seven consecutive quarters. Following 2011 and 2012, Avea has completed the year 2013 as the leader in mobile number portability. As of the end of 2013, the company maintained its leadership with a 65% annual increase through number portability, corresponding to a net subscriber growth of 916,000.



Source: Company Data

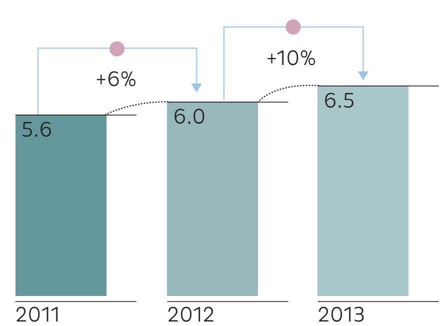
SUBSCRIBER BASE DEVELOPMENT

Percentage Change

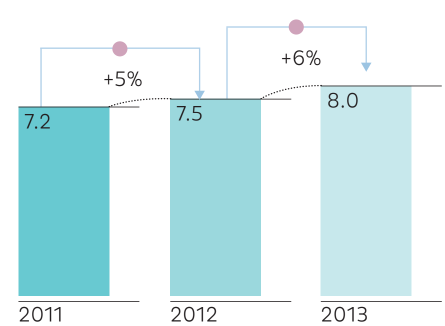
Operator with the strongest subscriber composition

While growing both in the prepaid and postpaid segment, Avea has maintained strong subscription base. The company has the strongest subscriber composition in the market with a postpaid subscriber ratio of 45%. The number of postpaid customers recorded an annual increase of 10% to reach 6.5 million. Avea continued to grow also in the shrinking prepaid segment. In 2013, the prepaid customer base grew by 6% compared to the previous year.

Postpaid Subscriber Base Development (million)



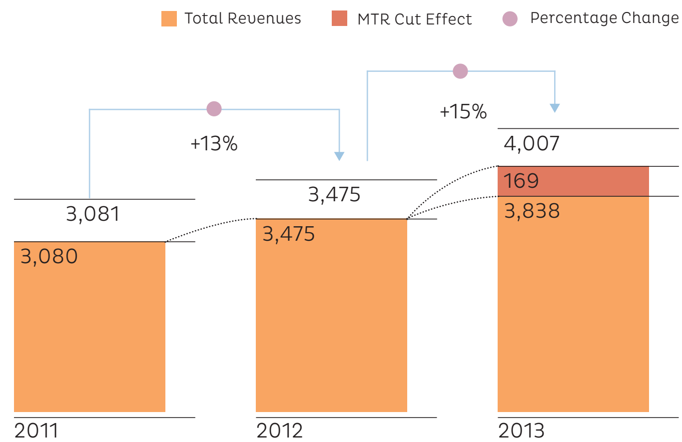
Prepaid Subscriber Base Development (million)



Source: Company Data

AVEA FINANCIAL PERFORMANCE

REVENUE GROWTH OF AVEA (TL MILLION)



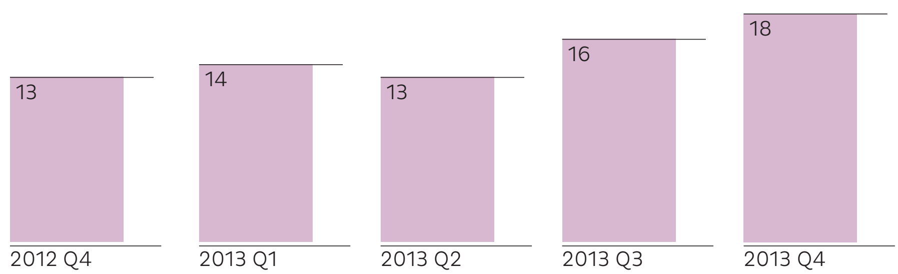
Source: Company Data

Strong revenue growth

In 2013 Avea continued its strong growth. In the first half of the year the company maintained double digit growth, which has prevailed for nine uninterrupted quarters. Also in the second half of the year the double digit growth continued with 10% revenue growth, despite MTR cut effect. The annual growth reached 15%, when disregarding the impact of the MTR cut.

SHARE OF DATA IN AVEA SERVICE REVENUES (%)

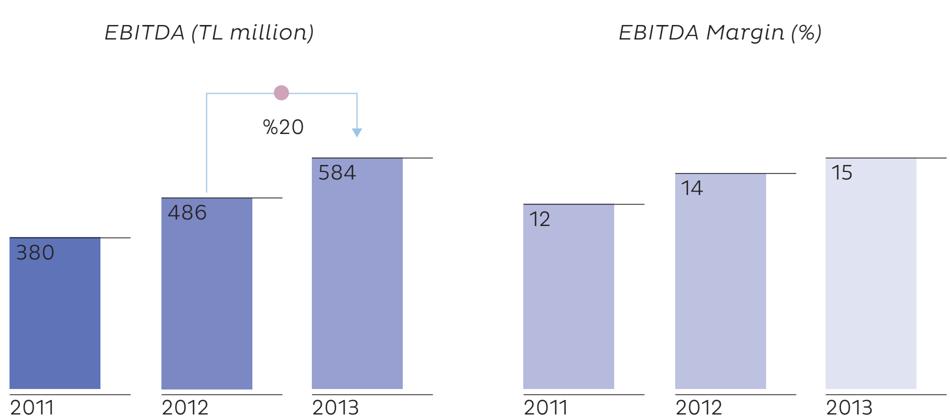
The growth in subscriber base and increasing mobile data revenues supported by the highest smart phone penetration in the market has been the main factors behind the total revenue growth.



Source: Company Data

EBITDA GROWTH

Percentage Change



Strong EBITDA growth

The revenue growth has been parallel to EBITDA growth, in line with the profitable and sustainable revenue growth strategy. In 2013, EBITDA reached TL 584 million with a 20% increase. EBITDA margin increased to 15% by the end of 2013 from its 14% level a year ago.

Source: Company Data

Avea is one step ahead with innovative solutions both in the prepaid and postpaid market

In 2013, Avea increased the growth momentum of the postpaid segment through innovative and advantageous offers to reach 6.5 million subscribers on a growth rate of 10%.

- Providing Türk Telekom fixed line users with the opportunity to make calls on their Avea mobile phones at advantageous prices, Cepte Bayram synergy offer continued in 2013 in cooperation with Avea and Türk Telekom.
- The renewed S.E.Ç portfolio gives customers the freedom to choose the desired benefits under one tariff plan without purchasing additional packages on top of their existing tariff plan. The 20 different voices, SMS and mobile data offer combinations were made available under 5 tariff plan groups, including S.E.Ç. Konuşmak Lazım, S.E.Ç. Mesaj Ekle, S.E.Ç. İnternet Ekle, S.E.Ç. Full, and S.E.Ç. Full Artı Full.
- The staggered nature of Kat Kat Ses and SMS packages allows customers to talk or send SMS freely without being anxious about exceeding their limits even after exhausting their tariff minutes or messages. 100 MMS was incorporated to the 11,000 SMS package.
- Three different tariff plans, Kontrolü S.E.Ç. 250, 500 and Maksi were offered to respond to customers' various call, message and internet usage habits. These plans provided customers with the opportunity to make unlimited calls even upon reaching tariff limits.
- Kontrolü S.E.Ç tariff plans were launched to eliminate the anxiety of exceeding limits. Calling minutes automatically stop under these plans when the usage is reached to limit. Adding TL option included to these tariff plans combines the convenience of a postpaid line with the control feature of a prepaid card.

In 2013, Avea has increased its subscriber base by 6% in the diminishing prepaid segment thanks to flexible and innovative offerings for the prepaid customers. As of 2013, the company maintained the highest prepaid ARPU in the market.

- In 2013, postpaid Avea subscribers made calls and accessed internet freely under S.E.Ç. Sade, Ekonomik and Çeşitli. Customers choosing any of the 250, 500, 750 and 1,000-minute packages in all directions, fulfilled their SMS and Internet needs economically with additional packages.
- Postpaid Avea subscribers who prefer to keep all their requests under one package continued their communication with Yıkılan Paket, Süper Üçlü Paket, and Süper İkili Paket corresponding to different needs. Customers choosed the package that matches their needs enjoyed the use of voice, SMS and Internet.
- Addressing all kinds of needs, the package portfolio of diverse and economical options continued to allow Avea subscribers to make calls, send messages and surf the internet as much as they wanted. Postpaid Avea subscribers continued making calls with Bal Paketler by loading units either via SMS, or directly from a dealer.
- In 2013, the company presented different GSM proposals to customers for their locally diversifying needs.

Special packages for different professions

Focusing on convenient solutions and advantages for different professions and life styles in 2013, Avea offered the following options:

- Profesyonel Tarifeler (Professional Tariff Plans) were offered to address the needs of white-collar customers by providing high quota internet access via mobile devices. Digital projects and activities were carried out to enhance white-collar customer satisfaction through offers which were relevant to them.
- Under renewed protocols with public institutions, public employees were provided with special benefits based on their needs.
- In 2013, special offers were introduced to housewives, the retired, and blue-collar customers. Under "Her Yöne 150 Dakika Alana Hediyesi de Yanında!" package the concept Hediyeli 150 Package was offered together with three gifts. These gifts were determined according to the needs and expectations of each segment. "Konuştukça Konuşasım Geliyor Diyene 2000 Dakika Hediye!" Package was offered to housewives. The duration of use was extended to two months, for those retired users not consuming their minutes within one month. Blue-collar employees were offered "Mesaide Konuşunca Patron Kızıyor Diyene 250 SMS Hediye" Package. All these offers were promoted at specific points where target groups are located.
- Farmers were provided with a special postpaid package that allowed them to fulfill their annual communications needs at once, considering their irregular revenue flow throughout the year. Launched under "Close the Year at Once, not Monthly" slogan, this offer allowed farmers to make unlimited calls in all directions 365 days of the year.
- In 2013, GSM offerings were presented to meet the locally diversifying needs of customers. The range of products and services is constantly expanding through cooperation with local brands that subscribers need in their daily lives.

The new brand for youth: Woops
Aiming to be more preferred by young people and to increase their satisfaction, Avea launched its new brand "Woops" targeting the 7 to 25 age group. Woops is intended to become a brand that instantly corresponded to the dynamic needs of the youth, and that keeps pace with new products and opportunities, bringing excitement to and coloring their lives.

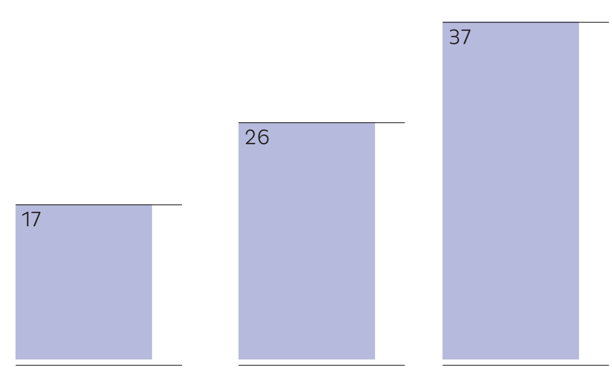
Along with the Woops brand, a broad set of packages was also introduced, providing flexibility to young people, by adjusting the call duration and direction, SMS and Internet access according to their preferences. 21 packages were offered to young people in total. By providing different options ranging from the selection of just one, or all of the 21 packages at once, 2,097,151 different combinations and packages were made available.

Avea Prime
Designed for the private customer segment, Avea Prime was launched as a totally new brand in December 2013. Its goal was to create a difference in the lives of our customers by offering them numerous privileges, including international benefits, private customer services, shopping opportunities, discounts and surprises at winter hotels and restaurants, on top of content-rich tariff plans. Avea Prime aims to create an intimate world for its customers, full of special services and privileges, while meeting with them frequently to enhance the enjoyable moments of their lives.

Avea, the leader in smart phones
Thanks to its focus on the smart phones, Avea has been the uninterrupted leader for ten consecutive quarters among three operators in Turkey in terms of smart phone penetration. In 2013, Smartphone penetration of Avea increased to 37%. The SEÇ device portfolio prepared to address different needs of customers has been expanded with new models from the leading brands.

AVEA SMART PHONE PENETRATION (%)

Avea, the leader of innovative technologies, has introduced its second smart phone with own brand "Avea inTouch 2" in May. As the first 4 inch smart phone in its segment, Avea inTouch 2 attracted great attention and intensive demand in the market with its 3-dimensional design, black and white color options, pre-installed Avea applications, convenient price and advantageous campaign offerings.
The flagship products of Samsung and Apple, Samsung Galaxy S4, Samsung Galaxy Note 3 and iPhone 5S, were provided to customers with Avea's dual carrier internet technology under advantageous packages.



Source: Company Data
* Calculating data lines M2M and Jet are excluded.

Strong growth in mobile data

Strong growth in mobile data has continued with increasing smartphone penetration, innovative mobile data offerings, and robust technical infrastructure.

In 2013, mobile data innovations continued at Avea:

- Surf&Talk allowed Avea subscribers to connect to internet at 3G speed while making a phone call.

Thanks to "multi rab" technology, Avea customers enjoyed internet access at 3G speed while talking on the phone. They made use of this service for free throughout the entire 3G coverage area.

- Avea customers were provided with 2 times faster internet access with MOBILPLUS. Thanks to two-carrier MOBILPLUS internet technology allowing simultaneous data transfer from two different carriers, customers using devices that support this technology enjoyed a two times faster mobile internet service.
- Four times faster mobile Internet technology was brought into use by implementing MIMO (Dual Antenna Technology) and Dual Carrier technologies together. With the proliferation of devices that support this technology, Avea subscribers can access the internet at speeds of up to 86.4 Mbps.
- Avea introduced mobile internet to numbers of customer by supporting them and launching a campaign in relation to social media.
- Customers, accessing internet on a computer have been provided with the most advantageous offers.

Supporting data download speeds of 21 Mbps, Avea Jet Mobile has been presented to customers using internet on a computer, along with a staggered tariff plan. Thus, customers are ensured of being charged according to their internet usage habits. Together with Avea Jet Mobile Modem, 4GB internet was offered for TL 19 and an additional 2GB for TL 10 within the framework of this tariff plan.

- Each customer segment is presented with special mobile data offerings. Tariff plans and packages designed specifically for different customer profiles addressed their internet needs, along with advantageous offerings covering all GSM services including voice and SMS. Segment-specific tariff plans catered to the needs of professionals, public employees and young people separately. Erken Kalkan Yol Alır Package provided white-collar customers 1GB of free internet access in the morning.

Mobile content services that make a difference

The proliferation of smart devices has further increased the importance of mobile applications. Avea, the operator with the highest smart device penetration in Turkey, has continued to differentiate itself from the competition, with various applications making life easier for users. Over 1 million Avea customers are using a total of 16 mobile applications on various operating systems including Android and iOS. Mobile applications and services implemented in 2013 were as follows:

Tivibu Mobile Avea: This service addresses the need to watch TV on smartphones and tablets as users continue to carry their offline habits to online platforms. Since May 2013, in the context of Tivibu Cep Avea (Tivibu Mobile Avea) package options, users have accessed over 60 TV channels, re-viewed popular series and programs, and watched hundreds of movies on smart phones and tablets, without the need for a wireless network. The application reaches over 40,000 people.

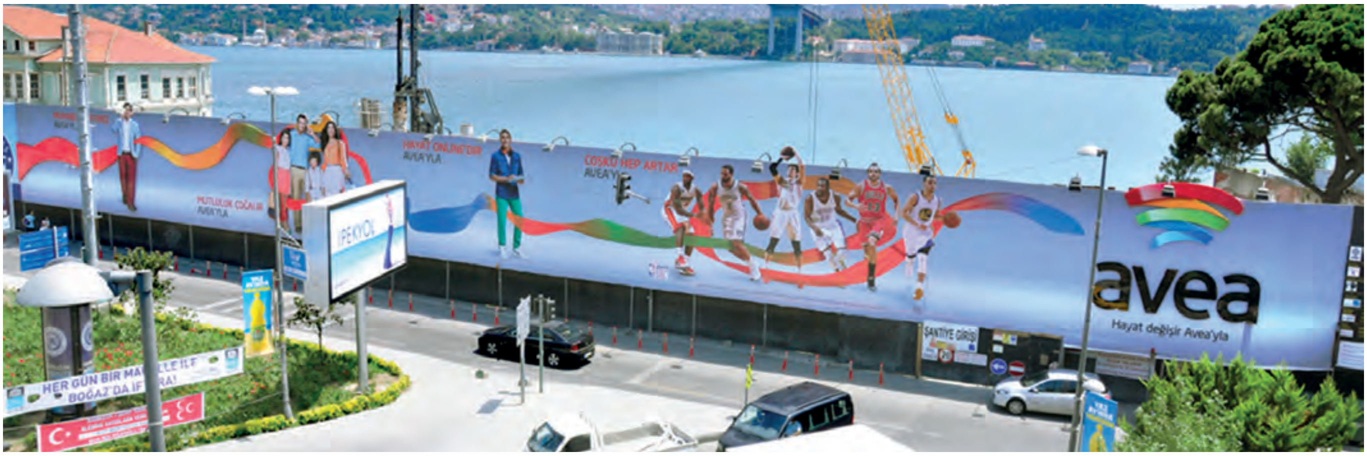
Avea Music: Introduced to allow Avea subscribers to enjoy music anywhere, Avea Müzik (Avea Music) is an application accessible via mobile devices, web pages and tablets. The application reaches over 80,000 people.

Avea Mobile Magazine: Downloaded for free on mobile devices or tablet PCs, Avea Mobil Dergi (Avea Mobile Magazine) is available to anyone, whether or not Avea subscriber. More than 50,000 users each month are following the magazine that includes technology news and reviews of devices and applications.

Avea Opportunity: Combining all of the opportunities that make Avea subscribers feel special, Avea Fırsat (Avea Opportunity) was offered to users at Appstore and GooglePlay since November 2013. With this application, users can follow the "Aveaheryerdekazandirir" brand partnership campaigns, remember friends' birthdays and send free gifts with Facebook integration. GSMA and patent applications were made for this Avea Fırsat (Avea Opportunity), which is considered a pioneer application in Turkey for its superior technical features.

Avea Movie: Launched in 2013, the Avea Film (Avea Movie) service which has a constantly updated movie collection is followed by Android and iPhone users with great interest.

FotoFilm: The FotoFilm application, developed in collaboration between Avea and Massachusetts Institute of Technology (MIT), presents users a delightful and creative experience by transforming their social media habits. By combining sequences of pictures, users can produce movies and share them by going online wherever they are located.



Mobile cooperation

Collaborating with strong brands since 2009, Avea has continued to grow by adding around 20 established brands including in particular GSMobile, Fenercell, Kartalcell and Trabzoncell. Providing uninterrupted support to Turkish football with sponsorships since 2002, Avea has expanded the AltayCell, BucaCell, GözGözCell brands offered with clubs from the city of Izmir, by adding AltınorduCell, MenemenCell and IzmirsporCell. Following Izmir clubs, "Bursasporcell Fan Line" has been introduced to bring Bursaspor fans closer to their team.

Non-GSM Benefits

Under Avea Her Yerde Kazandırır platform, as of 2013, 190 brand collaborations were implemented together with the leading brands in 24 sectors including clothing, food, fuel, automotive, construction, and education. Approximately TL 34 million total benefit was provided to 724,240 customers.

REMARKABLE GLOBAL SPONSORSHIPS

In 2013, Avea continued its global business partnerships without interruption. The cooperation with Barcelona for 3 years now, Avea changes the lives of children who attended the Barcelona camp. The company also obtained a media value of approximately TL 20 million with a joint message for the Republic Day at the official Facebook and Twitter pages of Barcelona.

In 2013 Avea signed a three-year contract with NBA, the most attractive sports organization in the world, and conducted a communication strategy underlining the competitive, team player and persistent image of its brand. The NBA experience was provided to sports fans in Izmir, Ankara and Istanbul with ALL STAR 2013 and NBA 3x events. The ever expanding cooperation projects reach more than 50,000 basketball fans with NBA Avea mobile application.

CUSTOMER SERVICE INVESTMENTS

Avea has continued to provide a high-quality, fast and proactive customer experience that also created value in 2013 with investments in call center technologies and human resources. The development towards becoming a solution center is achieved through segment-based management and continuous improvement. Operating in nine provinces as Istanbul, Ankara, Izmir, Yozgat, Ordu, Bingöl, Uşak, Erzincan and Düzce with around 3,000 employees, Avea Customer Services has continued to render its services by also improving its technology in alternative channels (web, smart mobile devices, email, SMS, chat, interactive voice mail, and social media).

Other significant developments regarding Avea Call Center services include the following:

- As the only operator meeting all standards specified in the Service Quality Regulations of the Information and Communications Technologies Authority (ICTA), Avea achieved 100% compliance with the Service Quality KPI's of ICTA.
- Thanks to mobile application downloaded to smart phones, customers can easily reach Avea Customer Services on their mobile devices as well. Operations performed in the mobile channel have increased fivefold compared to 2012 with an average of 1 million operations per month. Avea outperformed its competitors in terms of customer satisfaction regarding mobile applications.
- Avea Customer Services has increased the ratio of operations performed in self-service channels to 87%, especially thanks to investments made in the use of alternative channels.
- In 2013 Avea Customer Services also made important investments in the field of technology. External Call System, CTI, Workforce Calculation System, and Retention CRM System were entirely overhauled, while the Speech Analytics System was put into use allowing detailed analysis of all customer calls through dictation.

STRATEGIC COLLABORATIONS

Market is growing through business partnerships

- Avea provides mobile services in the German and Belgian market under Türk Telekom Mobile brand with the objective of becoming the sole SIMcard preference of Turkish citizens and families in those countries.
- In 2013, Avea has continued its investments in the Mobile Financial Services area with evolving mobile payment technologies.
- Avea Mobile Payment Service was introduced in 2010 for low-scale transaction payments made in the context of the rapidly developing gaming and digital content segment. Enabling shopping simply by providing a GSM number, this fast and easy-to-use service has grown annually with superior performance.
- Mobilexpress, which was developed in as a collaboration between Avea and TTNET, was introduced in 2013 to be used through TTNET and Avea, as well as through leading channels in their sectors. Mobilexpress allows online shopping by SMS or QR code, providing credit card information only once. Also offering the opportunity to pay TTNET and Avea invoices and top-up Avea lines, Mobilexpress is a first of its kind for Turkey with its infrastructure independent of bank, operator and device.
- The A+Para Kart (A+Money Card) developed in cooperation with PTT, is a prepaid card provided to PTTCell customers since 2013. It enables shopping both online and at physical stores via POS.
- The 511 Operation Line carried various functions to the mobile platform, including the topping-up of Avea lines, money transfer to customers of all operators in Turkey, and the topping-up of Hızlı Geçiş Sistemi (Fast Transit System) products.

'Firsts' and 'Mosts' in corporate collaboration

Having introduced the largest vehicle monitoring project and the most comprehensive mobile healthcare project in 2012, Avea has continued to pursue its objective in M2M area in the third quarter of the year. In cooperation with Arçelik, Avea developed a domestic production Cash Register / POS device certified by TUBITAK (The Scientific and Technological Research Council of Turkey), thereby accomplishing Turkey's largest M2M project. Avea also launched Turkey's first Cyber Fleet Management Project in cooperation with Pirelli. Introducing smart services in tourism, Avea developed a tablet based remote control system including Smart Home, Smart Station and Smart Kiosk for Rixos Sungate Hotel.

Mobile Health Care

Avea has introduced many first-ever products and services in the field of health-care with its Mobile Health Care Platform (M2M). Carrying mobile health care services to its dealers with additional investments, Avea also provides mobile health care devices. Additionally, Avea informs health care employees of the announcements of health institutions including the Ministry of Health and Social Security Agency to speed up their access to information through their SMS packages. The mobile signature service also provides secure access to electronic applications such as e-prescription on mobile devices.

In 2013 Avea has taken important steps in mobile health care. The company aims to facilitate fast and convenient provision of treatment and care services through mobile monitoring, and to offer a better quality of life with its wide-ranging M2M projects, implemented in cooperation with Turkey's leading health-care organizations. Implemented together with Eczacıbaşı Health Services, the Sağlık Takipçim (My Health Monitor) Project includes constant monitoring of blood pressure, saccharimetry and weight, while providing free ambulance service/calls in an emergency.

By facilitating efficient allocation of health-care personnel and resources with Avea Mobility, the company aims to decrease the time and money spent by patients and their relatives, while supporting investments that contribute to the Turkish economy.

SALES CHANNELS

Avea revised both the organization of its sales teams and the modes of reaching customers through its sales channels in the field in line with changing market dynamics in 2013. This allowed the company to create a more productive and efficient structure responding faster to the market.

Avea Communication Centers began to be renovated at the end of 2010 in order to provide the best customer experience. As of October 2013, almost all communication centers were serving subscribers with a new contemporary concept. Over 300 Avea Communication Centers have been relocated to commercial areas of higher potential in order to reach more subscribers. More spacious stores were opted for to host customers in larger premises that allow the displaying of a constantly growing product portfolio under different categories.

Latest technology products are introduced to customers
Through joint campaigns carried out in cooperation with the largest manufacturers in the industry, Avea introduced many cutting-edge smart phones and tablets to Turkish consumers for the first time. Avea also emphasized its leading role in terms of technology through various events staged creating a tremendous impression such as the iPhone 5S event organized at the Avea Communication Center in İstanbul's prestigious Bağdat Street.

Unique service and shopping experience
Avea constantly monitors the needs and expectations of customers and dealers by conducting surveys, in order to provide a unique shopping and service experience. All sales channels are equipped with the latest technological infrastructure to most effectively meet customer needs. Avea, the youngest and fastest growing company in the sector, will continue its advance towards becoming the leading communications provider of the future by blending technology with its customer focus.

SOCIAL RESPONSIBILITY INVESTMENTS

FCBEscola Camp Avea
In cooperation with one of the world's foremost football teams, FC Barcelona, Avea implemented FCBEscola Camp Avea Project to train Turkey's future football stars. The FCBEscola Camp Avea Project has defined a brand-new vision for Turkish football.

We Produce with Our Disabilities Project
Implemented in cooperation with Foundation of Physically Disabled People (FEV) since 2005, "We Produce with Our Disabilities Project" is one of Avea's key social responsibility projects. As the most extensive project for disabled people in Turkey, it stands out by providing job opportunities for disabled people applying to the Unemployment Agency that are suitable in light of their disabilities, educational status and qualifications.

HUMAN RESOURCES

As a large family that also encompasses its sub-contractors, distributors and suppliers, Avea provides its employees the opportunity to realize their full potential. The Company operates with the vision of becoming the most preferred employer.

With a strong human resource profile consisting of people of diverse know-how and experience in different units, and dedicated to the philosophy of human-oriented management, Avea is committed to the concepts of employee involvement in the in strategy development, social responsibility projects, and learning and development opportunities, as well as to championing equality of opportunity, valuing employees for their ideas, a balance between work and private life, talent management, recognition and compensation.

As the third company and the only mobile operator to be presented with the IIP Bronze Certificate, in 2013 Avea continued to implement a HR project that make a difference.

AVEA'S R&D ACTIVITIES

Celebrating the third year of its R&D center in 2013, Avea is the first GSM operator in Turkey with R&D certification. AveaLabs Incubation Center located at the R&D Center provides an ecosystem for young entrepreneurs, who wish to establish and grow their business in the information and communication technologies sector, together with an infrastructure and marketing channels. Working together on 9 projects with Linxa, Intellica, Havooz, Bayt and Crenno, the AveaLabs Incubation Center produced its first batch of graduates in 2013. The projects continue with new candidates at the center.

In 2013, Avea continued its mobile broadband investments. As of the end of 2013, the company has 27,193 base station. Following the introduction of Mobil Plus, the dual carrier Internet technology, in 81 provinces of Turkey, the company upgraded 3G to 4G level by providing four times faster mobile internet technology using dual antenna and dual carrier technology.

Obtaining authorization for LTE Advanced testing for a year in the first for Turkey on December 20, 2012, Avea implemented the first-ever test in Turkey on April 4, 2013. As a result of these studies and tests, Avea has become the first mobile communication operator in Turkey and the third in the world to reach a speed of 300 Mbps (DL) with a single terminal in the first test. In March, testing for 450 Mbps was implemented with three carriers and three terminals using new technology modems available in the market.

The first step for the 5G technology

In line with its visionary approach of rapid adoption of future technologies, Avea took the first step in Turkey in terms of 5G in 2013. In November 2012, Avea joined the Consortium that draws on the roadmap for 5G through the Mobile Opportunistic Traffic Offloading Project (MOTO), funded by the European Union Framework Programs. In 2013, Avea continued to carry out significant projects concerning the fifth-generation mobile communication technology.

Aiming to unite the local and the global with its R&D ecosystem, Avea cooperated with universities in 2013 both at the domestic and international level. Projects carried out by Avea in the Mobile Experience Lab at the Massachusetts Institute of Technology (MIT), the world's leading technology university, create significant opportunities for young people to advance their career through building bridges of technology. Students in the US began to develop projects in cooperation with MIT and have already launched two projects named the Flipr (Fotofilm) and Şehrin Müziği (The Music of the City) Application. An additional project was added in 2013 to the studies carried out in the context of R&D cooperation with MIT initiated in 2012.

In cooperation with Bilkent University, Avea established the Bilkent Mobile Innovation Laboratory to implement joint projects in various fields including mobile technologies, telecommunications services, and the processing and interpretation of large data volumes. All laboratory equipment was provided by Avea.

TTNET

Pioneering the digital transformation in Turkey, TTNET is the market leader with its number of subscribers. Capable of providing all communication and entertainment services together, TTNET aims to be the pioneer with its new digital platforms in the areas which will streamline life.

6.3

MILLION SUBSCRIBERS

620

THOUSAND FIBER SUBSCRIBERS

1.8

MILLION TOTAL TV SUBSCRIBERS

38

GB OF DATA USAGE IN DECEMBER

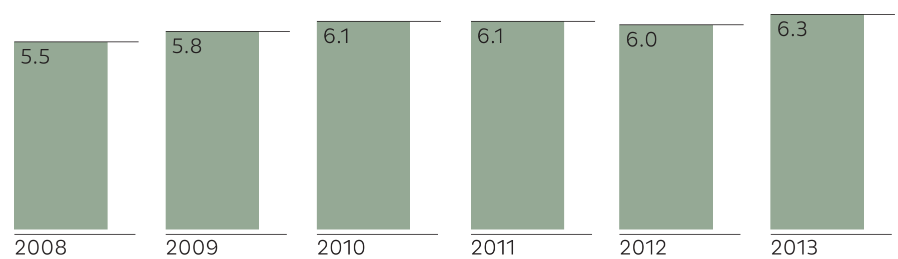
www.ttnet.com.tr

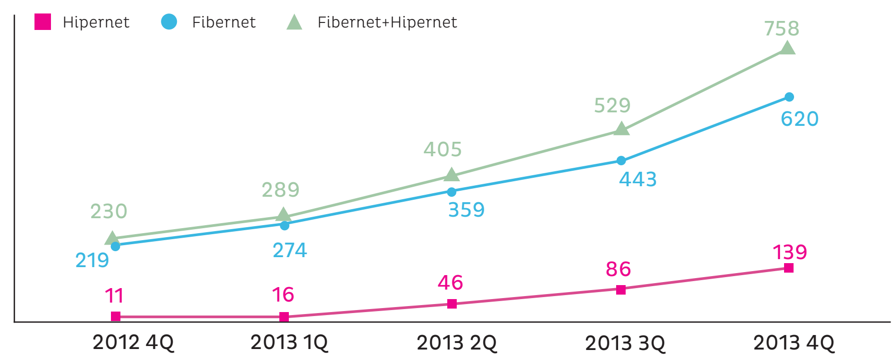
Established in 2006 to connect Turkey to the internet and introduce itself to the world, TTNET has evolved into a leading technology company that offers communication and entertainment services together, by spearheading digital transformation. Taking a leading part in the sector today with its residential and corporate services, TTNET is the market leader in terms of subscriber number. TTNET integrates fixed voice, mobile voice, mobile data, TV and digital services. The company has launched numerous innovative products and services to consumers over the past seven years.

By offering internet, TV, voice and 3G services to customers in one single bill, TTNET became the first in Turkey to deliver a "four-in-one service", resulting in yet another national breakthrough. The company meets the full range of Turkey's communication needs through specific offerings in education, entertainment, communication, security and corporate business. Developing Turkey's first IPTV service Tivibu Ev (Home), TTNET carried cinema and television to portable platforms with the Tivibu Web and Tivibu Mobile services.

DEVELOPMENTS IN 2013

NUMBER OF BROADBAND SUBSCRIBERS (MILLION)





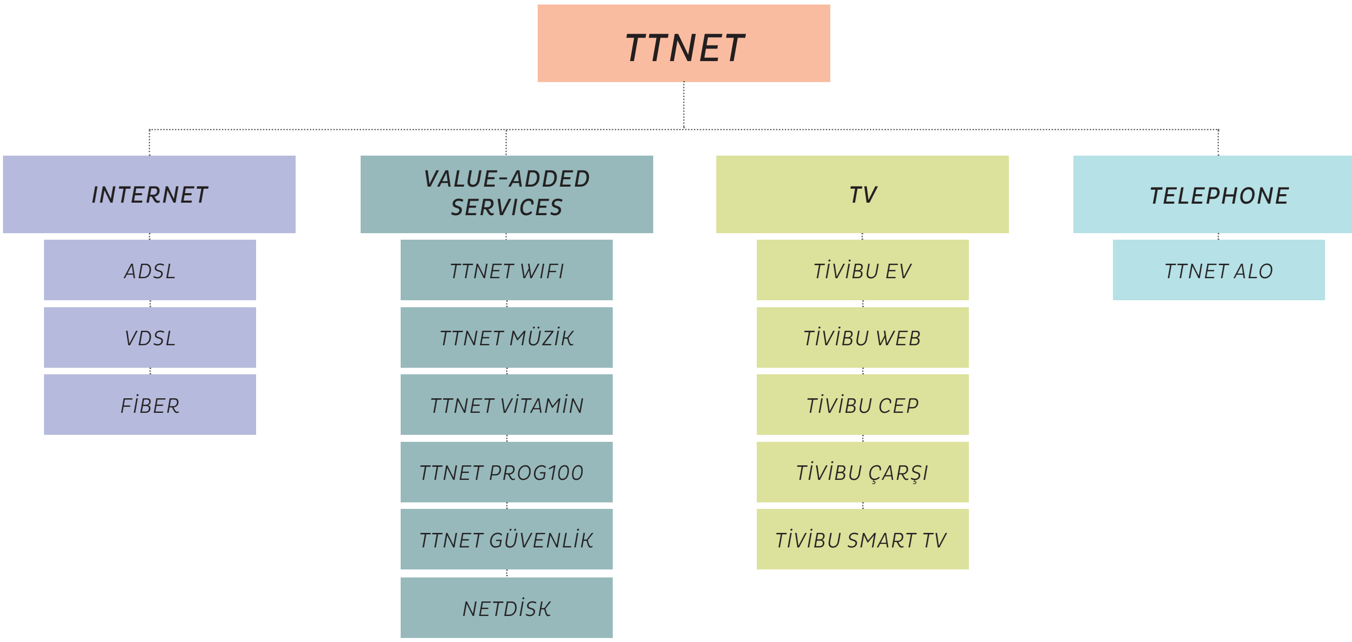
- In 2013, TTNET recorded strong growth in existing business areas, while increasing its share in the digital ecosystem by entering into new ones.
- TTNET increased the number of its broadband subscribers with 321 thousand new users and reached 6.3 million users thanks to the highest sales performance of the last five years and the lowest churn rates of the last three years.
- The number of high-speed Fibernet and Hypernet subscribers reached 758 thousand and TTNET took on the leadership in this segment as well.
- While enriching the content of its existing digital platforms, TTNET also entered into various new business areas ranging from e-commerce to digital payment systems. Revenues from digital services and new services increased by 50% on the previous year.
- TTNET's Tivibu platform that totally revolutionized the television broadcasting concept in Turkey continued to grow in 2013. The number of Tivibu Ev (Home) subscribers doubled and reached to 286 thousand. Meanwhile, the number of Tivibu Cep (Mobile) and Web subscribers exceeded 1.5 million.
- In 2013, Tivibu became richer with more content and applications. The Italian, French and Portuguese leagues were made available live to sports fans on Tivibu
- In cooperation with MasterCard and Cardtek TTNET introduced a world-first service that involves shopping on TV with Tivibu Çarşı (Market Place) to bring the e-commerce experience to TV screens.
- TTNET's Technology Valley Program attracted great attention as an integrated ecosystem that supports digital entrepreneurship to open the doors to new ideas.
- Cited as an exemplar throughout the world by the United Nations, TTNET became the first Turkish company to be accepted by the UN Business Call to Action (BCtA).
- TTNET was selected as the second most liked brand of Turkey by consumers and the first brand in the ISS category according to Lovemark 2013 Research. TTNET also became the second most favorite company to work for among internet companies according to research into the technology companies that people would most like to work for.

THE FUTURE OF THE BROADBAND MARKET

The share of fiber connection is expected to increase in parallel to the anticipated growth in demand for high-speed internet over the upcoming years. Unlimited packages constitute approximately 85% of the offerings of operators in Europe and America. The share of unlimited subscribers of TTNET had surged to 84% by the end of 2013 from 70% in 2012. Limited offerings to totally diminish and only unlimited packages to be available is expected in the near future GSM operators are likely to compete against the fixed broadband market with more extensive unlimited quota options and more aggressive price offerings. Yet, the maximum capacity and speed available with mobile broadband technology on GSM is considerably lower when compared to the fixed broadband market. Therefore, TTNET expects consumers to use the mobile internet not as an alternative to fixed internet, but as a complementary service for a better overall internet experience.

Package offerings that include different product and services such as internet, TV and mobile telephony are expected to be provided to the market in growing numbers at advantageous prices. The existing bundle offerings of TTNET will continue to provide the company with a significant competitive advantage in the market.

→ **TÜRK TELEKOM GROUP COMPANIES**



TIVIBU

New Tivibu technologies in 2013: TTNET continues to offer high-technology products and services reflecting its innovative approach.

- ***Shopping on TV:*** In cooperation with MasterCard and Cardtek, TTNET introduced a service for the first time in the world that involves e-commerce through television, with its new generation TV platform Tivibu. Tivibu Ev (Home) subscribers can easily shop on TV screen using their remote control with Tivibu Çarşı (Market Place) Application.
- ***Interactive channels:*** The Interactive Channels Application is a technology offered exclusively by Tivibu Ev (Home). It allows simultaneous viewing of multiple live broadcasts on the same screen. Users can follow the broadcasting of multiple channels on a single screen with a segment view and activate the sound of a selected channel by navigating on segmented views using a remote control.
  Tivibu Sport (6 channels on one screen)
  Discovery (5 channels on one screen)
  Digital Music Services (12 services on one screen)

Content: Cooperating with the leading studios around the world in order to provide a rich and differentiated content and present numerous channels with HD quality, Tivibu entered into a comprehensive cooperation with Fox International Channels, the renowned American film and television company, in 2013. Selective Fox International Channels are presented on Tivibu, while programs are broadcasting simultaneously with America.

Beyond a classic TV platform

Differing from a regular TV platform, Tivibu provides a customized user experience with "TV on demand" (Choose and Watch), "Replay", "Catch-up" (Pause and Watch), "Rewind and Watch" and "Red Carpet" features.

Tivibu with consumers on all screens

Tivibu reaches consumers on any screen including TV, tablet, PC, mobile phone and smart TV. Tivibu registered a significant achievement by increasing its subscriber number to 1.8 million as of the end of 2013.

Tivibu Ev (Home): of 2013.

Tivibu Ev (Home): Tivibu Ev (Home) is the first and only TV platform in Turkey broadcasting over IP through a modem without requiring a satellite dish. Since the beginning of 2012, Tivibu has grown fourfold and reached 171 channels and over 4,500 archive items.

Tivibu Web: 139 channels and more than 2,500 content items. A subscriber base of over 1 million since February 2010 when the service was launched.

Tivibu Cep: 66 channels and over 2,000 content items.

Tivibu Smart Tv: 31 channels and over 2,000 content items.

Number of Tivibu Channels

KANAL	TOTAL	HD	CINEMA TV	LOCAL	FOREIGN
TİVİBU EV (Home)	171	24	3	91	74
TİVİBU WEB	139	0	3	86	50
TİVİBU CEP (Mobile)	66	0	0	58	8
TİVİBU SMART TV	31	0	0	26	5

Not only TTNET subscribers but also anyone with Internet access can benefit from the contents and advanced features of Tivibu with the Her Eve Tivibu (Tivibu in Every Home) campaign.

TTNET WIFI

As the first and only Wi-Fi operator to support an automatic connection feature, TTNET has the widest hotspot network in Turkey with approximately 6,000 Wi-Fi hotspots.

TTNET ALO

TTNET's fixed voice service TTNET Alo is a significant element in terms of bundle offerings. The number of subscribers of TTNET Alo is constantly on the rise.

VALUE-ADDED SERVICES

1. TTNET Music

TTNET Music has approximately 2 million members with its local and international music archives. Also available on Mobile Platforms, TTNET Music has approximately 30 million clicks per month on average. (www.ttnetmuzik.com.tr)

2. TTNET Playstore

On Turkey's digital gaming platform Playstore, customers access more than 1,000 PC, Mac and Free to Play games simultaneously with the rest of the world with convenient payment options. TTNET subscribers can make their Playstore payment in 12 installments as part of their TTNET invoices.

3. TTNET Vitamin

TTNET Vitamin is an online educational support service developed to assist elementary school and high school students with their courses and improve their success in exams. The service is available by purchase, or through restricted free use.

4. TTNET ProG

Online professional and personal development platform TTNET ProG offers more than 100 certified occupational and personal development training programs, along with foreign language training at each level.

5. TTNET Security

TTNET Security is a free product offered especially to families with children for a safer use of the Internet free from harmful content with a Parental Protection Password.

6. NETDISK Cloud Storage Service

Netdisk is a cloud storage service that allows users to back up, access from anywhere, and share their files with others.

TARIFF PLANS AND CAMPAIGNS

As the leader in the retail broadband market, TTNET sets the pace both in terms of speed and capacity to provide the maximum benefit to its customers. ADSL packages of up to 8 Mbps, Hipernet packages of up to 100 Mbps, and Fibernet packages up to 1.000 Mbps are available as a part of TTNET offerings at various speed options.

Internet anywhere anytime

TTNET meets the needs and expectations of consumers by Naked DSLservice that does not require PSTN usage, TTNET 3G Mobile service that allows Internet at home to be used outside, while Wi-Fi service offered to customers at public places is provided.

Stress-free internet without Limits and Quotas

Providing the fastest internet in the market by introducing the first 1,000 Mbps fiber tariff plan this year, TTNET enhanced the fair usage points (AKN) applied for unlimited tariff plans. AKN is an application introduced to ensure that network resources render the same quality service to all users. Internet speed decreases in the remaining part of the month, when the user exceeds the monthly download quota. In addition to increasing the number of AKNs to provide customers with high-speed internet throughout the month without quota restrictions, TTNET also launched tariff plans, which are not restricted by fair usage rules, thereby offering its customers unlimited internet experience.

In 2013, TTNET commenced "İlk Beş Ay İnternet Bizden Campaign" (the First Five Months Free Campaign) in order to reach potential customers, increase internet literacy and extend its market penetration. The campaign involves provision of ADSL/fiber and hyper packages free for the first five months and over standard package prices for subsequent months.

In addition to this campaign that was launched for the subscribers, who want to postpone their periodic expenses, "Her Eve İnternet (Internet in Every Home) Campaign" was introduced for PSTN and PC users, who spend a limited time on the internet and prefer a more convenient pricing. TTNET also introduced its 2'si Bir Arada (Two in One) Campaign for customers, who prefer not to use a home phone. In this campaign the naked dsl net unlimited package was offered for a fixed fee under a 24-month contract. Similarly, the "Universiteli (University Students) campaign" allowed students on lower budgets to benefit from the naked dsl service with a 12-month commitment.

Under the Konuşturan Internet campaign home phone subscribers were offered the benefit of TTNET Alo with free minutes and an internet service for a 12-month commitment.

Creating a competitive advantage by offering multiple gaming offerings under a single invoice and enhancing customer experience with high speed and additional benefits, TTNET introduced the "3'lü Avantaj Kampanyası (Triple Advantage)" campaign that includes Fiber/hyper high speed internet, TTNET Alo, and Tivibu Ev (Home) with a 12-month commitment.

Customer experience enriched with various services

Analysys Mason studies indicate that bundle offerings by European operators, combining fixed broadband with additional services, will be on the rise until 2017. TTNET aims to enrich the customer experience and differentiate itself by providing bundle offerings that involves value-added services such as television, voice, 3G USB modem (dongle), e-book, gaming, telephony, online education and music products in addition to fixed internet.

BUSINESS DEVELOPMENT PROJECTS IN 2013

TTNET remains the driving force in e-commercer:

TTNET Çarşı

Developed as part of the vision of contributing to the development of e-commerce and the growth of the digital eco-system in Turkey, TTNET Çarşı (Market Place) is a platform where users place orders for TTNET products and services enjoying campaign advantages.

Okacabukaca.com

TTNET offers price comparison services to users on okacabukaca.com, which is one of its new platforms in the field of e-commerce. Launched in April, the platform achieved fourth place tanking among sites operating in the same category, in terms of the number of visitors, unique visitors, and page views.

Digital Payment Platform

TTNET Ödeme: TTTNET Ödeme (Payment) supports the e-commerce market by providing a payment option through TTNET invoices. Member businesses and TTNET subscribers can perform online shopping with TTNET assurance.

TTNET & Avea Mobilexpress: Carried out by TTNET, Avea and Mobilexpress partnership, Mobilexpress is a payment system that does not request credit card information repeatedly at each instance of online shopping. Mobilexpress service stands out for its features of speed and reliability.

TTNET continues to enhance user experience in new business areas with various projects providing added-value to business partners and customers:

Digital Publishing, E-Book

Digital Publishing is a platform that puts e-books on sale in the fields of Cultural Publishing, Educational and Children's Books.

Cloud Solutions

Netsis Cloud ERP: Netsis Cloud ERP offers cloud solutions to SMEs, whereby they can manage their business processes quickly and efficiently online on 24/7 basis. This cooperation aims to ensure the use of ERP solutions over cloud and to provide cost efficiency.

Smart Home Solution

As a result of discussions with local and international business development companies, TTNET brought the smart home solutions ecosystem to Turkey offering integrated monitoring, control, measurement and assistance services.

TTNET customers will be able to control the system using their mobile phones or computers, from home, the office or anywhere outdoors with the "Plug-and-Play" feature in the eco-system. In addition, the Smart Home solution provides customers with Residence Assistance and Alarm Monitoring Center services to increase customer satisfaction by offering a comprehensive experience.

As the first and only operator to bring smart home solutions to Turkey, TTNET aims to reinforce its image of a pioneering company, while adding value to customers' lives by expanding the services offered through its widespread fiber infrastructure. In particular, increasing the use of the information technology and green technologies in the rapidly evolving construction industry as a result of urbanization is an important opportunity for TTNET's smart home solutions. Aiming to reach all old and new residences with its smart home solutions, based on Internet technology, TTNET's main product, the company aims to allow its customers to benefit from healthcare, safety, comfort, and energy management services in the most economical manner.

2013 BRAND COOPERATION

In 2013, 61 campaigns implemented 52 different brands under the motto of "Fortunately I am a TTNET subscriber." Our customers benefited from discounts provided by well-known e-commerce sites and chain stores such as Markafoni.com, Cinemaximum, Aras Kargo, Ulusoy, and Cicek.com. Additionally, the TTNET online shopping fest running for the entire month of December was organized together with 38 brands.

PERFORMANCE IN 2013

As a result of its steadily increasing performance starting from the first month of 2013, TTNET had achieved a net subscriber gain of 300 thousand approximately by the end of the year. Customer gain, customer satisfaction, and a customer retention campaigns played a positive role in achieving this dynamic performance. The expanding fiber investments of Türk Telekom, the advantages offered to first time subscribers with the objective of improving internet literacy and growing the market, as well as device campaigns carried out to boost the penetration of PC and the internet, as well as bundle offerings providing multiple services with a single invoice, were among other factors leading to new customer gains. TTNET addresses the needs of customers with different expectations with its service network covering the entire country. The satisfaction level of existing customers rose with loyalty studies, while multiple channel offerings contributed to anti-cancellation efforts. All of these factors played a positive role in terms of net subscriber gains.

According to the broadband market intelligence research company, Point Topic; global broadband market indicators indicate that demand for high-speed internet is on the rise, and that the growth rate of fiber connection is much higher than other fixed connection types. TTNET's position in the fiber internet market strengthened in particular in 2013 thanks to intensive marketing activities. According to the Q3 2013 results of the ICTA, the share of fiber subscription in the fixed Internet market rose to 11.9% from 7% in the same quarter of the previous year. As of September 2013, the number of fiber subscribers in the market has grown by 76%, while TTNET outperformed the market with 156% growth in terms of subscriber number.

Unlimited packages constitute 85% of the offerings of operators in Europe and America. The share of unlimited subscribers of TTNET had surged to 84% by the end of 2013 from 70% in 2012.

CORPORATE PRODUCTS AND SERVICES IN 2013

In order to embrace more corporate customers, TTNET launched various new campaigns throughout the year.

İş Yerim Packages: TTNET offers four different packages to businesses: Beginner, Economical, Professional, and Professional Extra. The services include virus protection with security products and website development with webim product. Companies also have the opportunity to own a corporate e-mail account with the domain name of their business

SOCIAL RESPONSIBILITY PROJECTS IN 2013

"İnternetle Hayat Kolay" (Life's Simpler with the Internet)

Implemented in cooperation with the Ministry of Transport, and Maritime Affairs and Communications in 2013, the objective of "Life is Simpler with Internet" is to introduce the Internet to a wider community and increase Internet literacy. As of the end of 2013 more than 4,000 people received internet literacy training in the context of this project.

Recognized internationally, the project received 4 international awards. "Life's Simpler with Internet" won the 2013 PR News Platinum Award in the Community Relations category. The project was also honored by PR Daily, Stevie and IVCA Clarion awards. "Life's Simpler with Internet" is the only social responsibility project in Turkey to have received an international award in 2013 from reputable organizations in the communication universe such as PR News Platinum and PR Daily.

TTNET volunteers

TTNET involves all of its stakeholders and particularly its employees to its social responsibility projects. In 2013, TTNET developed two projects to encourage its employees to contribute to this vision:

- Starting from April 2013, "TTNET Volunteers", consisting of employees from almost all divisions, have provided voluntary training in the context of "İnternetle Hayat Kolay" (Life's Simpler with Internet).
- In the context of "TTNET'in Gülen Yüzleri (TTNET's Smiling Faces)" project, TTNET Volunteers send education materials to Şehit Murat Yumuşak Elementary School in Aksaray, Sultanhanı.

NGO/stakeholder relationships

In line with its 360 vision launched in 2013, TTNET has initiated many cooperation projects for the first time in its sector, together with 6 international and 13 national NGOs as their corporate member. The company added reputable international organizations operating in the field of development into its eco-system in addition to stakeholders, whom its products and services touch. TTNET became a member of two international NGOs (International Telecommunications Union, and Business Call to Action) and three national NGOs (E-Commerce Business Association, Enterprise Risk Management Association, and Istanbul Project Management Association)

United Nations cites TTNET as an exemplar.

In 2013, TTNET became the first Turkish company to be honored by the UN Business Call to Action (BCtA). Cited as an exemplar by the United Nations, TTNET became the first Turkish company to be accepted to the BCtA as a result of its initiatives in relation to increasing internet penetration.

Combining reduced prices for internet access with the online education platform Vitamin in priority regions for development and to provide internet literacy training, "Herkes İçin İnternet (Internet for Everyone)" was cited as a model project throughout the world. TTNET General Manager Mr. Abdullah Orkun Kaya presented the project in New York to BCtA, which unites 82 companies.

TTNET was accepted by International Telecommunications Union.

In 2013, TTNET was accepted by the International Telecommunications Union's Development Unit, a United Nations organization, and one of the most reputable in the telecommunications sector, with 148 years of experience. This membership brought a new perspective to TTNET's corporate social responsibility projects.

Strategic cooperation with universities

In line with its 360 vision, TTNET accelerated its studies in the area of digital entrepreneurship in 2013. Cooperation agreements were signed with Sabancı University and Izmir Institute of High Technology, leading institutions in the field of entrepreneurship. The company gave lectures at these two universities throughout 2013. TTNET also sent three students to Massachusetts Institute of Technology (MIT) to receive entrepreneurship education. TTNET is also the sponsor of the incubation center at the Technopark of the Izmir Institute of High Technology.

Cooperation with public ınstitutions

Within the scope of the social responsibility projects, TTNET, strengthening its relations with the Ministry of Transport, Maritime Affairs and Communications, Ministry of Family and Social Policies, Ministry of Development, and Information and Communication Technologies Authority (ICTA), laid the foundations of the collaboration for its new projects that will be implemented in 2014.

AWARDS IN 2013

TTNET received numerous local and international awards with its products and services.

- The social "İnternetle Hayat Kolay (Life's Simpler with the Internet)" responsibility project was awarded by a number of award programs including PR News Platinum Awards, PR Daily Awards, IVCA Clarion Awards, and the Stevie International Business Awards.
- The digital music platform TTNET Music received a Gold and Silver Stevie in two categories from Stevie International Business Awards.
- The TTNET Webim Project ranked in the third place at the European Cloud Awards in the "Best Cloud Service Product" category.
- TTNET's Service Excellence Program (SEP) was announced as the National Champion, qualifying in the top tier of European Business Awards.
- The TTNET Security Web Site lifted the first prize at the 11th Golden Web Awards.

CUSTOMER SATISFACTION PROJECTS

TTNET is the first and only telecommunications company in Turkey offering a lounge service under its own brand. TTNET Platinum Lounge service opened on August 21, 2013 at the International Terminal of Ataturk Airport to make waiting time more comfortable, productive and enjoyable for our customers.

The SMS transaction channel "6606 SMS" was introduced in the first quarter of 2013. Customers can receive information using keywords such as invoice, quota, SinglePassword, tariff plan, and ADSL user name. In addition, the Online Service Center available online was introduced to mobile phones, tablets, and via SMS.

HUMAN RESOURCES

In 2013, TTNET commenced the new career program TTNET netgelecek to recruit young talent and develop the leaders of the future. As a result, six management trainees found the opportunity to start their career in TTNET. The most successful MT receives a "study abroad" award after a one-year period.

TTNET RESEARCH AND INNOVATION ACTIVITIES

In line with its new vision 360, TTNET started the Technology Valley program in 2013 with the objective of improving the eco-system to support sustainable growth in Turkey. The Technology Program aims to transform new business ideas to commercial and national value.

Focusing on digital entrepreneurship projects, the program will support entrepreneurs in incubation centers in Istanbul, Izmir and Ankara by providing infrastructure, office space and mentorship. 600 applications have been received, while 34 entrepreneurs have qualified for sponsorship from the Small and Medium Industry Development Organization (KOSGEB). Entrepreneurs received various courses, among others, on writing a business plan, presentation techniques, legal and technical issues, and marketing. As a result of the evaluations, 8 projects were accepted by incubation centers. At the end of the incubation process, these projects will either be implemented within TTNET, or else introduced to potential investors to be commercialized.

In the context of TTNET and Sobee merger, R&D activities initiated by Sobee are ongoing. One such project is supported by TUBITAK (The Scientific and Technological Research Council of Turkey).

INNOVA IT SOLUTIONS

As of 2013 year end, Innova with 36 partners in 28 countries on three continents has achieved to be among the fastest growing technology companies in Turkey.

*EXPORT TO **28** COUNTRIES IN **3** CONTINENTS*

***13** OFFICES; **12** IN TURKEY, **1** IN DUBAI*

ENERGY INFORMATION CENTER OF TURKEY ESTABLISHED FOR THE MINISTRY OF ENERGY; ESİS E-TRANSFORMATION PROJECT

CORPORATE BRAND PAYFLEX AND KIOSK INNOVA SOLUTIONS

www.innova.com.tr

Established in 1999, Innova IT Solutions joined Türk Telekom in 2007. Operating from 13 offices throughout Turkey including three main offices in Istanbul, Ankara and Dubai, Innova had 36 business partners in 28 countries on 3 continents as of the end of 2013. Innova has been named as one of the fastest growing technology companies of Turkey for 8 years in Deloitte Technology Fast50 Program. The company offers infrastructure solutions, IT management and application development solutions to leading companies of Turkey in the areas of telecommunications, finance, public sector, healthcare, retail, and sports.

Areas of business involve Enterprise Resource Planning (ERP), Customer Relationship Management (CRM), Enterprise Performance Management (EPM), Document and Archive Management, Business Intelligence (BI), Receivables Management System, Workforce Management System, Legal Automation System, Facility Management and E-Invoice.

PayFlex Innova, developed by the company, has become a reputable brand of choice for many financial institutions in Turkey and abroad as a loyalty, payment, and collections platform. Innova's leading kiosk production brand "Kiosk Innova" is also a preferred solution for numerous companies both locally and internationally.

PRODUCT DEVELOPMENTS IN 2013

E-Invoice Solution

As per the new Turkish Commercial Code and Tax Procedural Law, certain companies are required to adopt an e-invoice application. Innova provides such services as a Special Integrator mandated by Revenue Administration.

PayFlex Cloud Loyalty

Innova's customer loyalty system solution PayFlex Loyalty was transferred to cloud in 2013 and began to be offered as a service to corporations.

SAP Gold Partner in Turkey

Innova started to offer SAP system installation, integration, licensing and maintenance services to leading companies in Turkey with its SAP certified specialists in cooperation with SAP. Serving as an SAP Gold Partner, Innova accomplished a strong market entry by winning İGDAŞ ERP Systems tender, one of the most important SAP ERP projects in Turkey.

PROJECTS & COOPERATIONS OF 2013

Turkey's Energy Data Center

The Strategic Management and Statistics System (ESIS) developed by Innova for Ministry of Energy and Natural Resources created a platform that will enhance decision making processes in line with Turkey's energy policies. With Decision Support System and Management Information System established by this project, the Ministry receives information from 28 different organizations affiliated to the Ministry, or related to energy sector.

A total of 250 million items of data are processed each month by Turkey's shared energy data center ESIS. The ESIS project will shape the future of Turkey's energy policies by establishing the infrastructure of decision support systems through combining data received from any region where energy is generated or consumed.

FATİH Project

Türk Telekom Group won the tender offer for Fatih Project, the largest educational project in modern Turkish history. In this context, Innova undertakes the establishment of LAN infrastructure, installation of electricity wires to smart boards, and establishment of active devices and UPS, which comprise the infrastructure components of 2,236 schools. This project aims to allow modernization of education in Turkey, introduce the Internet to students at an earlier age, pervade internet literacy and help increase the Internet penetration, which still lags behind Europe.

The largest wireless network project of Turkey

The dormitories of Credit and Dormitories Institution have access to fast, safe and free Internet thanks to the project implemented by Innova. Türk Telekom – Credit and Dormitories Institution Wi-Fi Project, initiated with the aim of supporting education, provides students with safe and fast wireless Internet for free. Featuring 21,000 access points in dormitory buildings in 81 provinces of Turkey, this initiative is Turkey's largest wireless network project.

Awards in 2013,
Deloitte Technology Fast50 Turkey 2013 Award

Innova has been named as one of the fastest growing technology companies of Turkey for 8 years in Deloitte Technology Fast50 Program.

ASSISTT

AssisTT founded in 2007, provides "value adding" call center services to public and private companies which are all pioneers in their field of business.

AssisTT was founded in 2007. In addition to offering traditional call center services, AssisTT has also become a strategic partner for its corporate customers by providing data to guide their sales and marketing activities. The company creates value with its end-to-end customized services provided to private companies and public institutions, all of which are leading organizations in their respective sectors.

AssisTT made a difference in directory services with its brands "11818" in 2010 and with "11820" in 2011. The company carries out numerous large-scale projects, including Ministry of Health Central Appointment System in 2012, one of the largest projects in call center sector. In addition to Türk Telekom Group companies, AssisTT's major customers include Turkish Airlines, Ministry of Health and Turkish State Railways. Ministry of Family and Social Policies and Turkish Patent Institute are among the customers acquired in 2013. In 2013, AssisTT enlarged its service portfolio with a payroll service and 11818 SMS inquiry service.

AssisTT contributes to economic development by providing employment to thousands of people with its investments in Anatolia. AssisTT gains ground in terms of setting the standards in call center sector with its robust technological infrastructure, efficient human resource management, and service excellence approach.

Performance Indicators

Number of calls: As of the end of 2013, the number of incoming calls totaled approximately 115 million on an 11% increase compared to the previous year.

Minutes generated: In 2013 approximately 360 million minutes were generated corresponding to an annual increase of 13%.

Locations: The number of call centers reached 17 as of the end of 2013, from 15 at year end 2012. New locations were opened in Izmir-Karşıyaka, Amasya, Gaziantep, and Trabzon.

THE BRAND SETTING THE STANDARDS FOR CALL SERVICES

***11%** ANNUAL GROWTH IN THE NUMBER OF CALLS WITH **115** MILLION CALLS*

***13%** ANNUAL GROWTH WITH **360** MILLION MINUTES PRODUCED*

*ACTIVITIES IN **15** CITIES **17** LOCATIONS*

www.assistt.com.tr

ARGELA

Argela, provides turn-key solutions in order to improve telecommunication operators' revenue and customer satisfaction worldwide.

EXPORT TO TURKIC REPUBLICS, NORTH AND SOUTH AFRICA, MIDDLE EAST, BALKANS, EUROPE, USA AND SOUTH AMERICA

ITV, SMALL CELL SOLUTIONS (3G, LTE), NETWORK PERFORMANCE MONITORING (NPM), SMART NETWORK APPLICATIONS, MOBILE NUMBER PORTABILITY SOLUTION, SOFTWARE DEFINED NETWORKS (SDN) AND FIXED MOBILE CONVERGENCE SERVICES

THE FIRST 4G COMMUNICATION SYSTEM DEVELOPMENT PROJECT OF UNDERSECRETARIAT OF DEFENSE INDUSTRY

www.argela.com

Established by Sanko Holding in 2004, Argela joined Türk Telekom Group in 2007. Argela produces next generation telecommunications solutions, which are sold locally and internationally. Based in Istanbul, the company also has offices in Ankara and Sunnyvale US. Cooperating with telecom operators to increase their revenues, improve customer satisfaction and keep costs under control throughout the world, Argela aims to minimize customer losses with its distinguished turnkey solutions.

Argela ITV, one of the items of Argela's solutions portfolio, reached over 1 million subscribers in 6 months and received "Winner of IPTV Industry Awards 2011-Best IP TV" and "Hybrid or Connected TV Service Growth Achievement Award". Other members of Argela's solution portfolio are Femtocell and Small Cell, Smart Network Applications and Network Performance Monitoring Product, Argela ADz-on Advertisement Platform, Mobile Number Portability Solution, and Fixed Mobile Convergence. Capitalizing on Türk Telekom Group synergy, Argela initiated TT Museum and TTNET Wi-Fi projects in 2013. Additionally, the company carries out a number of cooperation projects with different universities and companies in the context of European Union FP7 and Celtic Projects. Contributing to Turkey's technological development with these projects, Argela also receives EU funding for its R&D activities. Argela's cooperation projects with Turkish universities include new generation technology solutions including cloud services, human computer interaction and mobile payment.

In 2013, the company developed many business partnerships abroad in order to increase its international presence and awareness, as well as gain new customers. Geographical dispersion of Argela's international customers includes Turkic Republics, South and North Africa, the Middle East, the Balkans, and Europe, as well as the USA, and Latin America.

Fourth Generation Communication System Development Project (ULAK)

In 2013, Argela for the first time entered into an industry other than telecommunications by being selected to carry out Fourth Generation (4G/LTE) Communication System Development (ULAK) Project of Undersecretariat of Defense Industry. In the context of this project, Argela cooperated with Aselsan and Netaş to domestically develop all hardware and software components of base stations with fourth generation mobile communication technology. LTE technology base stations will be set up to be used by both mobile operators and public security institutions. This project aims to support Turkey's objective of becoming a mobile communication infrastructure exporter from importer status by developing 4G technology with domestic capital and providing transformation to 4G in the country.

SEBİT

With its 25 years of R&D experience and its international organization Sebit, the greatest education technology company in Turkey, is a leading firm in international platform as well.

SEBİT Eğitim ve Bilgi Teknolojileri AŞ

NATIONWIDE EDUCATION SOLUTIONS ADVISED BY THE MINISTRIES OF EDUCATION IN MANY COUNTRIES

THE BEST VIRTUAL CLASS 2013 AWARD GIVEN BY SOFTWARE & INFORMATION INDUSTRY ASSOCIATION IN US

OVER 50 MILLION PAGES VIEWED AND AROUND 3 MILLION USERS VISITED WWW. VITAMINEGITIM.COM IN A MONTH

E-LEARNING IN LINE WITH 4+4+4 EDUCATION SYSTEM

Capitalizing on Türk Telekom Group's synergy, Sebit contributes to development of education in Turkey with innovative and efficient use of technology. Sebit is one of the largest educational technologies companies of Turkey and has both domestic and international presence with R&D experience of 25 years and its international organization structure. The company offers its educational products to the market in five countries through its 300 creative employees located at Arizona office in the US and Ankara office in Turkey. Local and international education solutions developed by Sebit provide social benefit, while addressing individual needs.

Sebit is one of the main actors -in Turkey and throughout the world- of the transformation objective in education sector with its "IT Supported Interactive Education" vision. Offered since 1998, the company's product and service portfolio, initially under Akademia brand and subsequently the Vitamin brand, has been a driving force of continuous development in this field. Sebit aims to offer variety in learning and to remove barriers to interactive education with its new educational services that leverage mobile and Internet technologies.

In 2013, Sebit's products became compatible with 4+4+4 system put into action by Ministry of National Education, and new products were launched. Studies carried out at pilot schools in the context of FATIH project also continued successfully. V-Sınıf, the first classroom application running on Win8 Tablets, has entered use at a pilot school within the scope of FATIH Project.

THE FIRST CLASSROOM MANAGEMENT APPLICATION; V-CLASS

THE FIRST AND ONLY MARKETPLACE OF TURKEY IN THE AREA OF E-EDUCATION; VİTTRİN

E-EDUCATION APPLICATIONS PROVIDED TO THE PILOT SCHOOLS OF FATİH PROJECT

www.vitaminegitim.com.tr
www.adaptivecurriculum.com
www.sebit.com.tr

Cloud-based education technology

In 2013, Collaboration Learning Platform was developed within the context of V-Cloud, Sebit's cloud-based educational technology. This platform allows students and teachers to meet in the same environment, offering the opportunity of teamwork, portfolio management, cooperative learning methods, teacher training and additional activity sharing opportunities at a single center.

Sebit's Adaptive Curriculum product received the Best Virtual School Solution - CODIE Award 2013

Sebit's Adaptive Curriculum product received the Best Virtual School Solution - CODIE Award 2013, which is recognized in US as the Oscar of software sector. Turkey's first and only market place for e-learning, ViTTrin (www.vittrin.com) gained attention among individual users in 2013. Uzinggo product developed for home users was made available in American home user market.

TÜRK TELEKOM INTERNATIONAL

After the acquisition of Invitel International in 2010, Türk Telekom International with its 40,000 km fiber optic network covering 20 countries became a part of Türk Telekom Group.

20

ACTIVITIES IN 20 COUNTRIES

ABOUT 70 POPS AT KEY POINTS FROM ASIA TO AMERICA

40,000

MORE THAN 40,000 KM OF FIBER-OPTIC NETWORK

"BEST CARRIER IN THE CENTRAL AND EASTERN EUROPE" IN CAPACITY GLOBAL AWARDS

www.turktelekomint.com

Türk Telekom International joined Türk Telekom Group in 2010 when Türk Telekom acquired Invitel International. Representing the international branch of Invitel, the second largest service provider of Hungary, the company owned subsidiaries in Austria, Bulgaria, Czech Republic, Slovakia, Turkey, Serbia, Ukraine, Slovenia, and Italy. Operating under Pantel International brand after Türk Telekom acquisition, the company was then re-branded and changed its name to Türk Telekom International (TTI) on May 1, 2013. Türk Telekom brand is widely recognized not only in its region, but also throughout the world. This re-branding was extremely beneficial in terms of taking advantage of the strength of Türk Telekom brand and emphasizing that Türk Telekom International was the sole authority managing sales and marketing activities in connection with all international voice and data services of Türk Telekom.

Thanks to its fiber optic network covering 40,000 km in 20 countries, Türk Telekom International provides a significant contribution to Turkey in becoming a voice and data bridge on land between the Middle East and Europe, and strengthening the country's global standing. With its alternative land routes, the company minimizes the risks related to sub-marine cables between Europe and Asia, all of which cross Suez Canal.

One of the most important connections realized by Türk Telekom International in 2013 was Hong Kong PoP. This connection allowed the company to provide a totally secure, high quality service between Frankfurt and Hong Kong, the two most important data centers in Europe and Asia, as the sole service provider. This year the company also upgraded its DWDM Backbone to 100 Gbit/h per channel, marking a significant rise in its transit capacity.

PROJECTS AND COOPERATIONS IN 2013

As a result of the cooperation with PalTel at the end of 2012, an alternative route was created to connect the Middle East to Europe. Discussions for cooperation with the operators Etisalat and Du, owners of the two most important data centers in Dubai, has been initiated, in order to provide a more efficient use of this route.

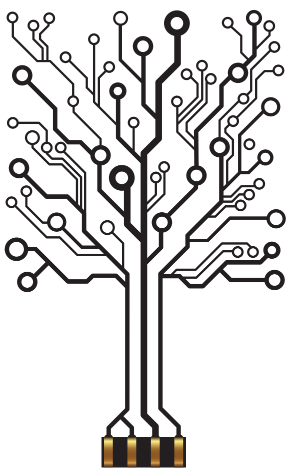
Further cooperation in the Middle East was accomplished with GBI-Gulf Bridge International. This allowed an alternative wholly land-based route to be developed instead of sub-marine cables to connect the Middle East to Europe via Iraq and Turkey. This initiative has been an important contribution to Turkey's mission of becoming an intercontinental bridge. Another project which became official in 2013 is Trans-Eurasian Information Super Highway (TASIM) Project, which is to be implemented in cooperation with the leading telecommunication operators of five countries with the support of United Nations. Supported by Turkey, Azerbaijan, Russia, Kazakhstan and China, this project aims to connect Europe and Asia on an alternative land route and provide Internet access to land-locked Asian countries. The initial project agreement was signed in Baku, Azerbaijan in December.

AWARDS IN 2013

In November 2013, Türk Telekom International was elected as the "Best Carrier in the Central and Eastern Europe" in Capacity Global Awards, perceived as the most prestigious in the field of wholesale telecommunication services. Organized for the 8th time with greater operator participation each year, TTI won this award against strong competitors, for its regional infrastructure investments in 2013 and successful marketing and communication initiatives carried out following re-branding.

TÜRK TELEKOM INVESTMENTS & INFRASTRUCTURE PROJECTS

Türk Telekom continues to make investments in compliance with its mission to introduce Turkey with the latest technologies in the area of communication.



Türk Telekom remains committed to continuous improvement, creating a difference, innovation and the appropriate structuring of its business processes, all fundamental requirements in the communications and information technologies sector.

With its expertise and leading position in the sector, Türk Telekom continues to make investments that are in compliance with its innovative vision and its mission to provide Turkey with state-of-the-art technologies in the communication sector.

As Turkey's leader in terms of fiber network, Türk Telekom in 2013 provided fiber infrastructure that enables super speed broadband to 2.5 million households reached through FTTH/FTTB (fiber-to-the-home and fiber-to-the-building), in addition to the more than 6.4 million households reached through FTTC (fiber-to-the-cabinet).

The FiberkenTT project

With The FiberkenTT project, Türk Telekom continued to replace its current copper access infrastructure in Turkey to fiber optic access infrastructure in 2013.

In this context, 152 projects were launched in 12 regions in 2011 and 2012. And in 2013, Türk Telekom continued these efforts with 66 new projects. This initiative is expected to lead to a productivity increase in terms of space and air-conditioning needs at existing exchanges, while minimizing faults in copper networks and copper cable theft.

Türk Telekom's fiber optic cable length reached a total of 182,000 km in 2013. The backbone and fiber infrastructure abroad of Türk Telekom converts the connection between customer and content points into a true highway by managing the traffic on the network with a high quality and secure service, both domestically and abroad. Türk Telekom is involved in all technological developments to enhance this highway's quality and ensure its sustainability, and constantly carries out related network activities. While Turkey's international bandwidth capacity was at 33.6 Gbps in 2005, today it reaches 2 Tbps.

Subscribers have been provided with Internet access speeds of up to 1,000 Mbps through fiber-to-the-home (FTTH) projects in which broadband access exclusively based on fiber optic, and solutions for from point to point and from a point to multiple points were provided.

According to the convergence vision of Türk Telekom, the xDSL network and IPMPLS investments being made in addition to FTTH, FTTB and FTTC investments in order to minimize copper cable length, provide customers with a higher quality service, while increasing broadband capacity and quality. Thus, numerous corporate customers benefit from single-point-to-multiple-points, or from multiple-points-to-multiple-points high-quality access.

100 Gigabit Coherent Technology

Developed to address the need for high band width, 100 Gigabit Coherent Technology provides a unique solution for uninterrupted transmission on optic networks. Available for the telecommunication sector, this technology was used for the first time on the Türk Telekom network. Between June 6 and June 7, 2013, a data speed of 8 terabits was achieved on the live network between Istanbul and Ankara through a single fiber pair with 100 Gigabit Coherent Technology for the first time anywhere in the world. This speed was registered by Guinness as the world record. This opened up a new era in the joint use of IP and optic at the highest capacity through a Converged Backbone Transformation approach.

100G technology provides the capacity achieved with 10 fiber pairs on existing networks with just one fiber pair, which results in a 40% energy saving and 64% space saving. This technology will allow users to take better advantage of broadband technology. Uninterrupted video transmission, advanced web applications, file sharing and high-resolution movies will be made available, more easily, and faster.

New Generation SDH/DWDM Transmission Network Project

In 2013, in Metro and Regional DWDM project a total of 12 Tb/s of additional capacity was installed to reach 73.60 Tb/s in 3,624 directions, while in the Backbone YN-DWDM Transmission Project 50.90 Tb/s of additional capacity was installed to reach 117.46 Tb/s bandwidth in 680 directions in total. The number of directions set up in the network including regional, metropolitan and backbone amounts to 4,304 with a total capacity of 191.06 Tb/s.

In the context of the SDH Project, ASON (Automatically Switched Optical Network) protection activities in the Backbone Network continued in 2013 and the ASON expanded over 44 cities. In addition, the 2 TB/s wavelength transmission tests at the Backbone DWDM Network between Ankara and Istanbul were successfully accomplished.

For a more effective protection at the DWDM network, the DWDM ASON application was introduced.

New Generation Networks Project

Intensive and regular data transfer is being performed on Türk Telekom's fixed line infrastructure. The objective of the Türk Telekom New Generation Network (TTNGN) is to replace TDM (time division multiplexing) exchanges, which execute real time applications for which security is an important criterion, with New Generation Technologies (new generation softswitch, gateway and MSAN equipment).

This project will reduce both the number of exchanges and operational costs, while providing human resources, energy and space savings, and offering existing and new value-added services more efficiently.

External Access Systems (EAS)

Within the scope of The External Access Systems (EAS) Transformation Project, fiber to the cabinet (FTTC) and fiber to the building (FTTB) applications are performed. The average Internet speed of 14.7 Mbps at the end of 2012 had increased to 18.5 Mbps by the end of 2013. In 2013, nearly 69,000 cabinet installations were realized within the scope of EAS project. New type cabinets are installed closer to buildings, which enable greater proximity to customers with fiber technology, while increasing their potential speed.

VDSL Technology

Through VDSL technology, which provides higher speed access in addition to fiber applications and high bandwidth, the ratio of the population able to access high speed VDSL networks on shortened networks between cabinet and subscriber has risen significantly. Through this technology the access infrastructure symmetrically with balancing of uploads and downloads speeds, provides a bandwidth of up to 100 Mbps.

Türk Telekom activated close to 1.9 million outdoor ports in FTTC and nearly 1.5 outdoor ports in FTTB implementations within the framework of VDSL transformation. This technology enables the usage of broadband services requiring much higher bandwidth such as high definition TV (HDTV) together with ADSL2+. As a result, proper infrastructure roll-out has been provided for those services requiring high bandwidth like IPTV. Related activities are ongoing.

→ TÜRK TELEKOM INVESTMENTS & INFRASTRUCTURE PROJECTS

Türk Telekom IP/MPLS Network

Through the Türk Telekom IP/MPLS network, which delivers rapid, high-quality and diversified services to the end-user by consolidating transmission links of difference and independent networks, all xDSL network, IPTV, Next Generation Networks, and FiberkenTT, a Türk Telekom corporate service Virtual Exchange (Centrex), as well as Wimax VDSL, fiber to the home and building, and Türk Telekom Intranet services are being provided.

By the end of 2013, Türk Telekom's IPMPLS network had kept its position of being Turkey's largest MPLS network. The IPMPLS main backbone network has a stronger structure with services being provided in five regions through 100G links (20 pcs). As a part of the IPMPLS backbone, international bandwidth capacity has been increased to 2 Gbps by adding additional capacities in data access points installed in New York, London, Amsterdam, Frankfurt, Milan and Vienna.

On the network, which will cover projects such as FiberkenTT, IPTV, WebTV, VPN, and next generation networks, optimization activities were performed to improve the infrastructure. Once these were completed, the IPTV service that had become available in 31 provinces at the end of 2011 became operational in all provinces and major districts across Turkey by 2013 through 1,239 exchanges

Service Management Center Project

The Service Management Center Project is carried out to enhance the experience of corporate customers. The infrastructure to be used for performing error, performance and fault management of all customer services and backbone equipment independent of the network has been finalized. In so doing, a customer-focused and proactive management model has been created. Meanwhile, by the end of 2013, total international capacity had reached 2.2 Terabit/s with available capacity reaching 1.75 Terabit/s.

Türk Telekom Geographic Information Systems Project

The Türk Telekom Geographic Information Systems Project (TTCBS-) geared at corporations, includes a system of numerical monitoring, planning and operation of every kind of inventory.

The TTCBS project is a system which associates telecommunications infrastructure network data with spatial superstructure information and verbal information in a digital environment. The system features map-based information that is integrated, queried and provided by analyzing an integrated structure by matching it with other intersystem data such as subscriber, network infrastructure, maintenance and repair, in a central database.

In 2013, for 112 the Ministry of Health Hotline Service, customer location information was transmitted through the Your Pharmacy is Here Service (08004455050) and the Fiber Atlas Service was provided to customers to indicate as to whether there was access to fiber.

E-Education Support Projects

Türk Telekom provided the fiber infrastructure for schools, within the context of the Ministry of National Education's FATIH Project, implemented to provide equal opportunity in education and improve technology in schools. The fiber infrastructure will provide modern education standards in Turkey with smart boards and tablets, as well as increase internet penetration in the country, which is below the European average now. In addition, within the context of the Credit and Dormitories Institution (KYK) project implemented to provide fast and uninterrupted internet access to students staying in the dormitories of the KYK, fiber infrastructure was provided to 375 such dormitories.

TTVPN Project

The TTVPN provides a flexible, reliable and managed connection service from multiple points to multiple points by combining different locations of institutions under one virtual private network (VPN), connected to the Türk Telekom MPLS infrastructure using various access technologies. Since 2010, the procurement, installment and maintenance of public and corporate customer's devices are carried out together with the provision of TT Virtual Exchange (Centrex) and TTVPN (+ENX) services.

Wimax Project

Türk Telekom was assigned as the Universal Service Obligator by the Ministry of Transport, and Maritime Affairs and Communications in the context of Universal Service Law, with the purpose of bringing communication service to locations lacking a telecommunications infrastructure. Türk Telekom aims to provide a voice and internet services wirelessly via the WiMAX system to 2,500 locations. And as of the end of 2013, 1,422 locations were getting these services.

R&D AND INNOVATION ACTIVITIES

Türk Telekom has the vision of being leading provider of communication technologies in Turkey and the surrounding region. Through its R&D and innovation activities Türk Telekom aim to develop new generation technologies, foster commercialization of new generation technologies and offer most innovative solutions to its customers. In the scope of this vision, Türk Telekom carries on its research and development activities under a single roof, within Türk Telekom Group company, ARGELA.

Türk Telekom has established a solid eco-system that includes universities, R&D intensive SMEs and international R&D partners to leverage existing domestic know-how to its fullest advantage. R&D activities are carried out to develop innovative product and service prototypes, expand the Group's patent portfolio, and research, evaluate, and adapt advanced technologies capable of contributing to Group activities. Türk Telekom R&D activities are shaped by the strategies below:

- Establishing strong relationship with universities and supporting innovation
- Working with SME's R&D partners to develop prototypes of innovative products and services and supporting the commercialization process,
- Analyzing and evaluating new technologies with fundamental R&D studies, developing patents and defining a technological roadmap,
- Joining multinational research projects and implementing advanced research projects.

University – Industry Cooperation

Within the scope of university and industry research collaborations, knowledge is conveyed from universities to Türk Telekom. In the subjects determined in line with Türk Telekom Group strategies, semi-annual contact is made and project offers submitted by the universities assessed. Collaborative research projects are identified through the evaluation of project proposals by a jury comprising representatives of relevant departments. In this way, we ensure a mutual exchange of information, and that advanced technology developed at universities is capable of being adopted for commercial application.

R&D Partners

The objective of R&D partnerships with R&D-intensive companies is to realize research and development activities for projects of high potential to yield commercial benefit.

Multinational Research Projects

In the context of multinational research projects, Türk Telekom carries out multi-party research projects with local and international universities, large enterprises and SMEs, specialized in R&D. The main purpose of these projects is to benefit from the know-how of companies with specific competencies to conduct research into advanced technology.

Türk Telekom Program for Accelerating Initiatives – PİLOTT

Innovative ideas are the driving force of innovation in today's information age. Innovative initiative, being one of the key sources of innovative ideas, plays a major role in improving the competitiveness of a country and generating employment.

Leading the information and communication technologies sector in order to accelerate the digital transformation in Turkey, Türk Telekom launched the Program for Accelerating Initiatives – PİLOTT in order to support entrepreneurs, enhance the entrepreneurship eco-system and develop innovative products and services in cooperation with entrepreneurs. Türk Telekom aims to connect its broad customer base and know-how with the fertile and innovative ideas of entrepreneurs through this project. The ensuing commercial success stories will in turn enhance Turkey's capacity for further innovation. In addition, Türk Telekom aims to increase its solution partners to expand the spectrum of innovative products and services offered to its customers.

A First for Turkey

PİLOTT, Turkey's first acceleration program conducted by a private company, provides entrepreneurs the opportunities of seed capital, training, office space with technical infrastructure, mentorship, management support, and cooperation with Türk Telekom. A total of 382 applications were received in the first round. All applications were evaluated by Türk Telekom managers of corresponding divisions, and ultimately 12 innovative initiatives were accepted to PİLOTT program.

Entrepreneurs convert their ideas into a sustainable business model in the course of this 12-week program, and receive mentorship from Türk Telekom managers in related divisions, and from successful entrepreneurs in the entrepreneurship eco-system. As a result, they improve their initiatives with management support and present an operational product or service with its main features. Türk Telekom jury then selects the most successful projects based on certain evaluation criteria. Successful initiatives find the opportunity to enter into the Türk Telekom eco-system and cooperate with the company. In addition, the most successful project wins a prize of TL 100,000 and the three most successful entrepreneurs win a trip to Silicon Valley, where they meet other successful entrepreneurs and investors.

Information on the research and innovation activities of Avea and TTNET is presented under the companies' own sections.

TÜRK TELEKOM HUMAN RESOURCES

Türk Telekom is a big family who has 34,441 employees coming from different locations and different backgrounds with different areas of expertise.

Türk Telekom strives to provide all kinds of development opportunities and support to enable its employees, from different regions and with different backgrounds and professions, to work in a harmonious, fruitful work environment by sharing a common language and mutual company values.

By the end of 2013, Türk Telekom Group employed a total of 34,441 people. Türk Telekom provides service with over 22,000 employees, 17% of whom are women and 83% of whom are men. Of total employees, 5% hold a Master degrees, 30% have Bachelor's degrees and 27% are associate degree program graduates. Of our total employees, 22% are aged 22 to 29, 45% are aged 30 to 44, and 27% are 45 years old or above. The average age of employees is 36.89.

Türk Telekom Group Personnel Information	
Türk Telekom	21,849
Avea	1,981
TTNET	675
Argela	178
İnnova	868
Sebit	279
AssisTT	8,292
Türk Telekom International	319
TOTAL	**34,441**

WanTTed Young Talent Program

WanTTed is a young talent program developed by the Türk Telekom Human Resources team to discover talented college students and prepare them for professional life. Organized for the second time this year, campus activities held at universities introduced Türk Telekom upper management and university students to each other.

A total of 11,326 applications were received throughout Turkey. All applications were evaluated and 800 students took the General Ability Test. Successful students were included on the WanTTed Camp Program following group and one-to-one interviews. Those candidates to successfully complete the camp process received job offers according to their qualifications and career goals. The 19 most successful candidates were recruited at various divisions at our Headquarters. The team that won first place at the WanTTed Camp secured the opportunity to enroll at Harvard University.

Intern Technician Recruitment Process

In the context of the Intern Technician Recruitment Project implemented in cooperation with the Employment Agency (İş-Kur), 946 technicians were accepted for internship. Those interns who completed the 6-month intern period were recruited by the company. This project provided a saving of approximately TL 12 million.

Incentive Practices

In the light of workforce changes in line with sector dynamics, organizational changes within the company, and changes in permanent staffing, those employees wishing to resign benefited from an Incentive Practice. A total of 3,362 employees took advantage of this.

Change Management

The permanent staff, titles, and positions of the company's regional structure were revised according to the updated organizational structure. All job descriptions and permanent staff data was transferred to the SAP system.

A dual career path was introduced at the General Directorate, and the Senior Specialist title created. New positions were developed reflecting the company's business methodology in order to motivate employees and strengthen the company's position against the competition in terms of employee retention. Job descriptions of new positions are announced on the ARIS Platform. The level and positions were met, and the promotion of employees completed in light of permanent staff studies. Service desk integration was realized with the DOF System such that all processes became up-to-date and problems were handled efficiently.

Performance Management System

The 2012 performance agreement meetings were completed in order to assign individual scores for the divisions under the General Directorate and Regional Directorates. Payments and compensation processes were implemented for all employees according to these agreed scores. Development plans were prepared for employees of low performance score in cooperation with their managers and HR business partners.

For the year of 2013, the performance agreements for Regional Directorates were made in November and December. The General Directorate agreements will be implemented based on Performance Management System results at the individual level upon the closing of the year.

Talent Management Model

The human resources processes transferred to SAP system have become more integrated and efficient. The 360 Competency Evaluation System carried out in line with “Everyone has Potential” approach aims to provide opportunity to all employees to maximize their potential. Employee potential is evaluated through the Talent Management Model, with career development plans designed based on their competencies. Career plans were prepared according to 360 Competency Evaluation and Performance Results.

24 thousand employees on the same platform in 81 cities

Türk Telekom aims to create an organizational culture showing high performance with its Performance Management System. This requires the achievement of business goals, profitability for investors and a competitive workforce. Taking these factors into account, Türk Telekom focuses on the development of its employees at the highest level.

The İleTTişim (Communication) Portal that embraces the entire Türk Telekom family presents assorted key data including corporate data and business sources, personnel information, demand management, and many other types useful in social life, to more than 24 thousand employees in 81 cities, along with personal development opportunities.

Türk Telekom Academy

Türk Telekom Academy continues its training and development activities to provide a competitive advantage within the industry, and to manage the development of Türk Telekom’s intellectual capital, and convert employees’ individual knowledge to corporate knowledge.

Mobile Academy Project

Today rapid access to information and supporting time management of employee hold great importance. Türk Telekom introduced a new innovative project in this respect, by offering training to its employees on their mobile devices from anywhere and at any time that suited them.

Through the broad content developed at Türk Telekom academy employees are updated on the latest technologies and services, as well as new products and campaigns. As such, through this project mobile technology has become an advanced learning platform available on mobile devices of any brand or model.

2013 TRAINING AND CERTIFICATION PROJECTS

IP/MPLS Tiger Team Competence Development and Certification Program

In our information and communication age, rapid developments are being made in the area of communication, while intensive data transfer is performed via new technologies. This requires telecom operators to adapt modern and high capacity switching systems. Türk Telekom aims to decrease company dependency by improving the technical qualifications of our workforce that works on a 7/24 basis to ensure the uninterrupted operation of the IP/MPLS network. In this context, the IP/MPLS Tiger Team Competency Development Certification Program was introduced in cooperation with Alcatel-Lucent University to help employees assigned to the IP/MPLS backbone gain competencies at different levels.

The 360+ Development Program

The 360+ Development Program develops core competencies specified in Türk Telekom’s Competency Model.

SDH and DWDM Certification Programs

The Cable Transmission Systems Competency Development Certificate Program was implemented in cooperation with Huawei Academy in order to help employees working on the SMS Backbone Network and R-SMC/Regional throughout Turkey gain competencies at different levels.

Cooperation with Universities

In 2013 Türk Telekom Academy continued to support Türk Telekom Group employees’ training and development activities with comprehensive cooperation agreements executed in cooperation with numerous universities. Bilkent University, Bahçeşehir University, Bilgi University, İstanbul Şehir University, Maltepe University, and Fatih University have signed cooperation protocols with Türk Telekom. As a result, Türk Telekom employees attended graduate programs at discounted tuition expense. Türk Telekom Academy aims to increase employee competencies and intellectual acumen, and to contribute to the development of the sector through such cooperation agreements.

In 2012, in cooperation with Cambridge University, the BULATS (Business Language Testing Service) testing service was launched. BULATS, prepared by the ESOL Exam Center, is regarded as the world’s most prestigious business language test. The scheme also continued in 2013.

INVESTOR RELATIONS

Protecting their interests, Türk Telekom informs all its shareholders and beneficiaries promptly and correctly.

Türk Telekom Group, Turkey's leading integrated telecommunication and technology services provider, offers its customers a wide range of services ranging from fixed line to mobile, data and Internet. The Group's market capitalization reached close to TL 20.7 billion at the end of 2013.

Carrying out its public disclosure and transparency efforts in full compliance with corporate governance principles, Türk Telekom equally protects the interests of all of its shareholders and stakeholders.

In 2013, Investor Relations focused on providing timely, accurate and complete information to shareholders and all related stakeholders, and responded to over 1,000 information requests via telephone and email. Within the same period, the department participated in 16 foreign and 5 local investor conferences and answered the questions of over 250 investors. Nine roadshows were organized where the company met over 64 investors. Furthermore, the Capital Markets and Investor Relations Directorate organized 31 investor meetings and met with 50 investors. In addition, approximately 100 conference calls were organized. The investor relations team met over 200 shareholders and/or analysts, whose questions were answered. As a result of these activities, the company communicated with more than 400 representatives of approximately 350 investment houses.

The First IR Website Compatible with Tablets and Mobile Phones

The Investor Relations website was enhanced in 2011 through the analysis of worldwide best practices, and now provides the most rapid information access by shareholders and stakeholders. As Turkey's first investor relations website compatible with tablet computers and mobile phones, it appears in both Turkish and English versions, which are updated simultaneously. Complete with analysts' reports and expectation survey results, the website also features the automatically updated share price of Türk Telekom on its home page for the convenience of users.

Türk Telekom's Economic Bulletin

Türk Telekom's monthly economic bulletin, first published in 2011, attracted great investor interest and shortly became a pioneering publication in the industry, both domestically and internationally.

Expanding Corporate Investor Base

In 2013, as a result of the intensive target-oriented activities of the Investor Relations team, Türk Telekom registered significant progress in its corporate investor base compared with previous years. By the end of the year, the number of corporate investors had exceeded 230. The corporate investor base structure is: 42% US-based funds, 34% UK-based funds, and 13% Europe-based funds. The number of brokerage houses actively covering Türk Telekom exceeded 30, which is a very high figure for a Turkish company.

The First Investor Relations Summit of Turkey

Turkey's second Investor Relations Summit, organized by the Turkish Investor Relations Society (TÜYİD) and supported by Türk Telekom Investor Relations was held on November 25, 2013 at Çıragan Palace, Istanbul Over 100 professionals from investor relations, brokerage houses and fund management companies attended the event. With the participation of Türk Telekom Capital Markets and Investor Relations Director Onur Oz The analysts' expectations of the investor relations department, the best practices of investor relations communication and proactiveness of investor relations were discussed, and the key factors in determining the IR objectives were presented at the panel. TTNET CEO and TÜYİD Vice President Abdullah Orkun Kaya also attended the event. The panel was followed by the closing speech of Finance Minister Mehmet Şimsek, CMB Chairman Dr. Vahdettin Ertaş, and BIST Chairman Dr. İbrahim Turhan on the latest developments in the Capital Markets, and planned innovations for the upcoming period.

CORPORATE SOCIAL RESPONSIBILITY

Adding value to social life also with "Value for Turkey" social responsibility projects carried out nationwide, Türk Telekom organized many important projects in 2013.

Türk Telekom, adds value to social life with "Value to Turkey" social responsibility projects implemented countrywide, in addition to investments in technology, infrastructure and human resources.

In addition to large-scale social responsibility projects carried out nationwide such as Books on the Phone, Türk Telekom Schools, Türk Telekom Internet Houses, Türk Telekom Sports Clubs and e-Billing Forests, there are also more than 100 local social responsibility activities organized by Türk Telekom provincial directorates within the scope of "Value to Turkey" project.

2013 ACTIVITIES

In carrying out its corporate social responsibility projects with a responsibility of corporate citizenship, Türk Telekom aims to support young people to realize their ideals, primarily in the field of education as an investment for the future. Telephone Library, Türk Telekom Schools, Türk Telekom Amateur Sports Clubs and Internet Houses developed in line with this understanding continued to operate in 2013.

Value for Turkey

Türk Telekom, together with over 22,000 Value to Turkey volunteers, continues to generate projects that add value to the community. Value to Turkey volunteers participate in many activities from blood donation to waste medicine collection campaign, from search and rescue team to amateur sports clubs, and from voluntary book reading in the Books on the Phone Project to toy collection.. Our Value to Turkey volunteers have donated 3,200 units of blood and collected 4,000 boxes of medicine through campaigns undertaken throughout Turkey.

Books on the Phone

Türk Telekom continues to offer product and service options that facilitate the lives of customers with disabilities with the principle of enabling society in its entirely to participate in daily life on equal terms by taking advantage of communications technologies. Launched two years ago, the Books on the Phone Project has become widespread rapidly. Through this project, in which Turkey's first telephone library was realized, visually impaired Türk Telekom customers nationwide are offered 350 audio books. Within the scope of the project, dedicated lines received over 335,000 calls in 2013, while over 3.2 million minutes of book listening was realized. In 2013 the users of this service rose 13 fold in number compared to the previous year to 26,000 people.

Türk Telekom Schools

Türk Telekom has constructed educational facilities across Turkey through the Türk Telekom Schools project. Implemented in cooperation with the Ministry of National Education and the Ministry of Transport, and Maritime Affairs and Communications, the project involves 76 educational buildings including 33 high schools, 18 elementary schools, and 25 dormitories.

Türk Telekom has been offering non-refundable scholarship to students throughout Turkey since the beginning of the 2011-2012 academic year. Scholarship opportunities are available to students of Türk Telekom schools from low-income families. A total of TL 218,400 in scholarships was granted to 150 successful students during the 2012-2013 academic year.

Türk Telekom supports Türk Telekom Schools, one of the largest social responsibility projects in Turkey in the area of education, by providing a comprehensive range of sports equipment. Encouraging students by supplying sports equipment such as track suits, sports bags, footballs, basketballs and volleyballs, Türk Telekom aims to contribute to the development of students in the field of sports.

Türk Telekom Amateur Sports Clubs

In order to help Turkish youth improve their communication skills through sports, Türk Telekom has trained more than 30,000 young athletes over the past decade through investments made in sports infrastructure. Türk Telekom continues to support approximately 5,000 athletes in 28 branches including basketball, fencing, athletics, skiing, and tennis at 46 amateur sports clubs in 44 cities. Hundreds of these athletes were subsequently selected for the national team, representing Turkey internationally and becoming a source of pride with various rankings in international competitions

Türk Telekom Sport Schools

In line with its understanding of social responsibility, Türk Telekom Sport Schools aim to foster a love and conscious of sports among children and young people, and to popularize habit of sports with modern and high quality methods. In addition to supporting professional sports, Türk Telekom supports the training of its employees' and customers' children by qualified trainers to nurture them in becoming responsible, dynamic and healthy individuals. In the first phase, sport schools in Istanbul Yeşilköy and Ankara Ahlatlıbel have offered volleyball, athletics, taekwondo, scouting, tennis, wrestling, judo, basketball and football.

Türk Telekom Search and Rescue Team

Türk Telekom employees, who are members of the Türk Telekom Search & Rescue Team (TTSRT) take responsibility in any natural disasters, accidents or other crises, sharing information with other civil rescue teams. TTSRT volunteers reached Van in the first hours after the major earthquake that experienced in recent years, successfully rescuing a citizen after a 32-hour operation. The same team contributed to relief work for five days after a hotel collapsed when another earthquake struck. Today, TTSRT continues its training and exercises with a team of 140 people in 12 regions.

Micro Credit for Women

Supporting participation of disadvantaged people on equal footing, Türk Telekom initiated the micro credit project for women prisoners at the Şakran Prison in Izmir Aliağa in cooperation with the Foundation for Prevention of Waste, the İzmir Industrialists' and Businessmen's Association, Gediz University, the Governorship of Izmir, and the Izmir Penal Institution. Implemented with Türk Telekom's contributions, this project provides seeding fund to 50 women to start up their own businesses.

Türk Telekom Digital Turkey Sponsorship

While leading the digital transformation of Turkey with its products and services, Türk Telekom supports the Digital Turkey Platform, founded by our country's leading NGOs to create awareness of this issue. The objective of the platform is to lobby for the 2020 Vision as the groundwork of the Digital Agenda of the EU and the objectives of Turkey's vision 2023, and to create awareness and expedite Turkey's harmonization.

TÜRK TELEKOM SPONSORSHIPS

Sponsorship of Sports

While adding value to customers' lives with its products and services, Türk Telekom aims to invest in Turkey's future with its sponsorships and social contributions. The activities carried out in this area with a substantial budget, play a significant role in the overall promotional activities of Türk Telekom.

The main sponsorship agreements with Fenerbahçe, Galatasaray and Trabzonspor, the leading football clubs of Turkey, are valid until May 2014. The Türk Telekom brand appears on the teams' jerseys as the main sponsor. In addition, Fenerbahçe Şükrü Saraçoğlu and Trabzonspor Hüseyin Avni Aker Stadiums feature Private Türk Telekom sponsored Tribunes. The name sponsorship for Galatasaray's new stadium, Türk Telekom Arena, in a first of its kind agreement, continues until 2020.

Additional activities at stadiums take the form of "Galatasaray Remembers its Legends, and Türk Telekom Announces to the World", which collectively sustain the dynamism of football sponsorship.

Corporate Sponsorships

In light of fierce competition among other sponsors, content that creates greater brand awareness is naturally sought when signing sponsorship deals. Budget maximization and target group interaction are the main factors impacting sponsorship decisions when defining sponsorship areas in line with the brand's commercial priorities and communication strategies. In 2013, Türk Telekom sponsored 30 projects in total with 14 corporate, 8 cultural, 5 sectoral, 2 educational sponsorships, and 1 donation.

Interactive Marketing Summit

In September 2013, the Türk Telekom Private Panel at Swissotel Bosphorus was organized in the context of Marketing Summit sponsorship implemented with Marketing Türkiye Magazine, with the participation of celebrity football players such as Dirk Kuyt and Wesley Sneijder, who make effective use of social media. As a result of the draw organized at the event, one attendee won trip to Real Madrid & Galatasaray game for two. Broadcast live on the social media, the activity was followed by a broad audience.

SUSTAINABILITY INITIATIVES

With the aim to leave a better world for future generations, Türk Telekom transforms office applications and business processes in line with the sustainability principles.

Türk Telekom plays a leading role in its sector with its greenhouse gas management strategy that clearly defines sustainability targets and enables the management of risk and opportunity associated with climate change.

In this context, Türk Telekom transforms its office practices and business processes in line with sustainability principles to provide a better future for tomorrow's generations. In doing so, the company strives to include all employees and their families, as well as suppliers and customers as a part of this strategy.

Environmentally-Friendly Communication

Carrying out environmentally-friendly communication activities within the scope of corporate social responsibility in order to leave a better world for future generations, Türk Telekom launched its sustainability efforts in the early 1990's by installing solar energy panels as an energy backup system. In 2010 the company established its Sustainability Committee to create innovative and sustainable policies that will enable low-carbon technologies to become widespread as part of its effort to address climate change. Also in 2010, Türk Telekom established the Energy Efficiency and Next Generation Energy Department to pursue activities geared at promoting energy efficiency and sustainable energy resources.

Savings of Over TL 85 million

Türk Telekom has been reporting to the Carbon Disclosure Project (CDP) since 2010. The CDP is a prestigious environmental awareness project wherein publicly-listed companies announce their environmental strategies and amount of carbon footprint. Türk Telekom has been the first and only telecommunications company to regularly report to the CDP since 2010. In recognition of its dedicated efforts, Türk Telekom received the CDP 2013 Climate Change Carbon Disclosure Leader Award in 2013 for its reporting, having achieved savings of over TL 85 million through ongoing projects according to the results of the Carbon Disclosure Project 2013 Report.

ENVIRONMENTALLY-FRIENDLY PRODUCTS AND SERVICES

E-Invoice
Türk Telekom initiated the electronic billing period on February 1, 2008. Türk Telekom retains electronic copies of bills, thereby saving twice as much paper.

Environmentally-Friendly Telephone
Türk Telekom offers Digital Enhanced Cordless Telecommunications (DECT) options that reduce electricity usage to those customers keen to be involved in the sustainability transformation process.

Vitamin
The content developed for classic classroom education is offered interactively with Vitamin, the online educational software developed by Sebit, a Türk Telekom Group company. Vitamin online educational software provides flexibility in terms of venue and time, while contributing to the limiting of carbon emission by saving on paper, travel and physical classroom costs.

Vitamin is both available for sale and also offered for free to approximately 9 million students as a Türk Telekom corporate social responsibility project. A saving of 180 million pages per month is achieved solely by eliminating the paper consumption of students using Vitamin.

CORPORATE PRACTICES

First in the World at Usage of Ecofont
Türk Telekom is the first company in the global telecommunications sector to use Ecofont software. Ecofont software, which received the European Environmental Design Award in 2010, provides 25% ink saving. As Turkey's pioneer in the use of this software, Türk Telekom realizes an annual carbon saving of 22,500 kg. Türk Telekom employees are able to print their work in Ecofont format in Calibri, Arial and Times News Roman fonts.

Paper Recycling
Türk Telekom saves approximately 640 trees by recycling 40,000 kilograms of paper on average per month through paper recycling mechanisms used at its headquarters and offices under 12 regional directorates. Paper collected from the headquarters and regional directorate offices located in Ankara and Istanbul is delivered to companies authorized by the Ministry of Forestry and Water Affairs.

Telepresence Technology
Available for the past five years, Telepresence technology offers remote meeting services with "in the same room" quality. Meetings held with Telepresence eliminate both the emissions arising from air travel and vehicles used in airport transfers.

International Collaborations and Agreements
In 2012, Türk Telekom signed the Durban Declaration, which aims to limit the global temperature rise to 2°C. By joining the Durban Declaration together with leading global companies, Türk Telekom has invited the private sector to take the necessary measures to combat climate change. Türk Telekom is not only a signatory to the declaration, but also a company that undertakes the responsibility to develop this initiative further.

GeSI Membership
Türk Telekom is the first Turkish company to join the Global e-Sustainability Initiative (GeSI), which organizes activities on efficient use of energy, energy saving, and e-sustainability. Türk Telekom continues to share information and know-how with other members to promote the efficient use of energy and IT equipment within the scope of activities of the Energy Efficiency Working Group operating under GeSI.

EUREKA R&D Program
Türk Telekom is the first telecom operator to be elected to the Board of Directors of the Eurogia+ Cluster operating under the European Union's EUREKA R&D Program. Through its membership, Türk Telekom seeks to have a voice in the formulation and development of European energy efficiency and low carbon technologies.

Climate Platform
In 2011, Türk Telekom joined the Climate Platform, established to support private sector initiatives to address climate change and launch the transition to a low carbon economy. Established with the cooperation of TÜSİAD and REC, the platform's activities continued in 2013. With this membership, Türk Telekom plays an active role in transition to a low-carbon economy by attending meetings that address the future of the planet in an international arena, chaired by HRH the Prince of Wales of the United Kingdom of Great Britain.

Environmentally-Friendly Vehicle Fleet
Implementing its environmental sustainability activities with the motto of "Environmentally-Friendly Communication", Türk Telekom added 5 Renault Fluence Z.E. electric automobiles to its fleet. And considering the pollution caused by vehicles running on fossil fuel, Türk Telekom aims to increase the share of electric vehicles in its fleet in the upcoming periods. Türk Telekom also transforms its office practices and business processes according to the principle of sustainability in order to leave a better world to future generations. This initiative has allowed the company to minimize its carbon footprint, while providing savings on fuel cost.

IMPORTANT DEVELOPMENTS AFTER THE ACCOUNTING PERIOD

January 29,2014 Board Member Appointments
Our Company's Board of Directors has resolved that İbrahim Eren shall be appointed as an Independent Board Member, in the capacity of real person Board Member, to the Board Member position which became vacant due to the resignation of Efkan Ala, one of our Independent Board members.

February 4, 2014, Appointment of Board Member
Cenk Serdar shall be appointed as real person Board Member, to the Board Membership position which became vacant due to the resignation of Maziad Nasser M.Al Harbi, for the remaining term of office of the Board of Directors in accordance with Article 363 of Turkish Commercial Code as to be submitted to the approval of the General Assembly of our Company at the first upcoming General Assembly Meeting to be held.

Appointments to Board Committees
Our Board of Directors has decided on the following regarding Board Committees:

Audit Committee: İbrahim Şahin, Vice-Chairman of the Board, shall be appointed as Chairman; İbrahim Eren, Board Member, shall be appointed to the vacant membership position as a member; Dr. Khaled H. Biyari, Board Member, shall be appointed to the observer member position which became vacant due to the resignation of Maziad Al Harbi as an observer member. Rami Aslan shall resign from observer member position and the replacement shall be determined at a later date.

Early Identification of the Risks Committee: Cenk Serdar, a Member of Board of Directors, shall be appointed as a Member, which has become vacant due to the resignation of Maziad Nasser Alharbi.

Corporate Governance Committee: Cenk Serdar, a member of Board of Directors, shall be appointed as a member, which has become vacant due to the resignation of Maziad Nasser Alharbi.

February 5,2014, Guidance for 2014
Our guidance for 2014 is as below:
* Consolidated revenue growth to be 4% to 5% over 2013
* Consolidated EBITDA to be between TL 5 billion and TL 5.2 billion
* Consolidated CAPEX to be around TL 2.1 billion

February 25, 2014 Resign of Board Member
Change of Audit Committee Members
Statutory Audit Board Member, Ms. Zeynep İnce has resigned from her position. Our Company's Independent Board Member, Audit Committee Member and Chairman of Early Detection and Management of Risks Committee Mr. Süleyman Karaman has resigned from his position and shall be appointed as Statutory Audit Board member for the remaining office term of the Statutory Audit Board membership as to be submitted to the approval of the General Assembly of our Company at the first upcoming General Assembly Meeting to be held.

DIVIDEND DISTRIBUTION PROPOSAL

	2013 DIVIDEND DISTRIBUTION TABLE OF TÜRK TELEKOMÜNİKASYON A.Ş. FOR THE YEAR ENDED 31 DECEMBER 2013 (TL)			
1)	Paid / Issued Capital			3,500,000,000
2)	Total Legal Reserves (in accordance with statutory records)			2,049,087,463
	If there is information about privilege in dividend distribution in accordance with the AoA			
	DISTRIBUTION OF THE PROFIT FOR THE PERIOD		Acc. to CMB	Acc. to Statutory Records (SR)
3)	Profit for the Year		1,706,582,234.45	1,519,945,962.91
4)	Tax Expenses (-)		439,484,521.53	242,747,332.11
5)	Net Profit for the Period (=)	(3-4)	1,303,044,532.95	1,277,198,630.80
6)	Prior Years' Losses (-)		0	0
7)	General Legal Reserves (-)	([5YK-6YK]*0.05)	0	0
8)	NET DISTRIBUTABLE PROFIT (=)	(5-6-7)	1,303,044,532.95	1,277,198,630.80
9)	Donations made during the year (+)		38,684,17642	
10)	Net distributable profit including donations that is the base of calculation of first legal reserves	(8+9)	1,341,728,709.37	
11)	First Dividend - Cash Share - Total	((1 or 10) *the rate determined by the Company)	268,345,741.87	
12)	Dividend paid to preference shares	(Amount of the dividend for privileged shareholders in accordance with the articles of Association)	0	
13)	Dividend paid to - the Board Member- Employees- person other than shareholders		0	
14)	Dividend paid to redeemed share owners			
15)	Second Dividend		932,149,288.08	
16)	General Legal Reserves	([11+12+13+14+15+20]-[H4*0,05])/10	102,549,503.00	
17)	Status Reserves		0	
18)	Special Reserves		0	
19)	EXTRA ORDINARY RESERVES	5-(6+7+11+12+13+14+15+16+17+18)	0	0
20)	Other Distrıbutable Sources		0	25,845,902.15

Dividend Distribution Board Proposal 2013

It is resolved for the decision of our Company's General Assembly;

1. Our company's net profit of the fiscal year 2013 according to the independently audited consolidated financials prepared in accordance with "CMB Communique About Financial Reporting in Capital Markets II-14.1" is TL 1,303,044,532.95 and according to the Turkish Commercial Code clauses and Tax Procedure Law is TL 1,277,198,630.80,

2. Compensating the difference with using TL 25,845,902.15 statutory previous years 'profits, according to the CMB Communique II-19.1, the profit after tax amount of TL 1,303,044,532.95 is the base amount for dividend distribution,

3. It is obligatory to set aside general legal reserves until the reserve amount reaches 20% of the paid in capital in accordance with Article 519 of Turkish Commercial Code. As the 20% cap has been reached in the previous years, this reserve will not be required for 2013;

4. According to the consolidated financial tables, TL 1,341,728,709.37 shall be the base for first dividend which is reached with adding the donations made in 2013 of TL 38,684,176.42 to TL 1,303,044,532.95, which is net distributable profit of 2013.

5. It is decided to distribute 20% of TL 1,341,728,709.37 (first dividend base), TL 268,345,741.87 as cash first dividend. The second legal reserve of TL 102,549,503 shall be set aside and the remaining TL 932,149,288.08 shall be distributed as cash second dividend.

1. Total cash dividend amount to be distributed of TL 1,200,495,029.96 shall be covered by current period net profit
2. Accordingly 0.342998 Kurus (%34.2998) gross cash dividend per each share worth for 1 Kurus nominally shall be distributed to our shareholders and total gross cash dividend distribution amount shall be TL 1,200,495,029.96

The distribution of the cash dividends to our shareholders shall begin on May 28, 2014, at Merkezi Kayıt Kuruluşu A.Ş. Süzer Plaza Askerocağı Caddesi No: 15 Kat: 2 34367 Elmadağ-Şişli İstanbul.

TÜRK TELEKOMÜNİKASYON A.Ş. (2013)				
DIVIDEND PAYOUT RATIO INFORMATION				
DIVIDEND PER SHARE				
	GROUP	**TOTAL DIVIDEND AMOUNT (TL)**	**DIVIDEND TO BE DISTRIBUTED FOR EACH SHARE TRADED WITH A NOMINAL VALUE OF TL 1**	
			AMOUNT (TL)	**PERCENTAGE (%)**
GROSS	A	660,272,266.48	0.342998	34.30
	B	360,148,508.99	0.342998	34.30
	C	0	0	0
	D	180,074,254.49	0.342998	34.30
	TOTAL	1,200,495,029.96	0.342998	34.30
NET	A*	660,272,266.48	0.342998	34.30
	B**	306,126,232.64	0.291548	29.15
	C***	0	0	0
	D****	153,063,116.32	0.291548	29.15
	TOTAL	1,119,461,615.44	0.291548	29.15

THE RATIO OF DIVIDEND DISTRIBUTED TO NET DISTRIBUTABLE INCOME INCLUDING DONATIONS	
DIVIDEND DISTRIBUTED TO SHAREHOLDERS (TL)	THE RATIO OF DIVIDEND DISTRIBUTED TO SHAREHOLDERS TO NET DISTRIBUTABLE INCOME INCLUDING DONATIONS (%)
1,200,495,029.96	0.895

*Group A shares of our Company are owned by Oger Telecom. As Oger Telecom is a fully responsible corporation, there will be no withholding tax in the dividend payment.
** Group B shares of our Company are owned by the Turkish Treasury and are subject to withholding tax.
*** There is 1 Group C share, which is owned by the Turkish Treasury and does not have the right to get dividend payment according to our Articles of Association.
**** As the 15% of the total capital are traded in the Borsa Istanbul, our Company is not able to identify shareholders as "limited responsible, fully responsible, real person or legal person". Gross and net dividend calculation for this group is made on the assumption that all of the Group D shares are subject to withholding tax.

CONCLUSION OF AFFILIATION REPORT 01.01.2013-31.12.2013

As it is undersigned, hereby is declared that the Affiliation Report is prepared and issued in reliance upon paragraph (1) of article 199 of the Turkish Commercial Code no. 6102, to the extent of knowledge of Board of Directors of Türk Telekom, with respect to the relations of Türk Telekom with its Controlling Company/ Venture and with other affiliates of its Controlling Company/ Venture in 2013 activity year, and that each legal transaction mentioned in the Affiliation Report is balanced with an appropriate counter-performance, and that Türk Telekom has not incurred any damages or losses due to any measure taken or avoided to be taken.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Türk Telekomünikasyon A.Ş. ("Türk Telekom") pays utmost attention for implementing the Corporate Governance Principles published by the Capital Markets Board of Turkey ("CMB"). The Company updates its annual and interim activity reports and corporate website, and makes them available to its shareholders to satisfy the said principles. Shareholders have access to comprehensive information through the Türk Telekom investor relations website constantly kept up-to-date, as well as the possibility to direct their queries to the Capital Markets and Investor Relations Department Türk Telekom successfully received an overall Corporate Governance rating of 8.80 as a result of an independent assessment by SAHA Corporate Governance and Credit Rating Company incorporated by Capital Markets Board of Turkey.

Corporate Governance Rating was determined as a result of the examination made under four major topics (Shareholders, Public Disclosure and Transparency, Stakeholders, Board of Directors) weighted differently within the framework of the CMB's Corporate Governance principles. Breakdown of our corporate governance rating under major categories is as follows:

Sub Categories	Weight (%)	Degree
Shareholder	25	8.09
Public Disclosure & Transparency	25	9.9
Stakeholders	15	8.43
Board of Directors	35	8.68
Total	100	8.80

This rating assigned to Türk Telekom based on the Corporate Governance Principles is a clear sign that our Company is compliant with CMB Corporate Governance Principles to a large extent, has put the necessary policies and precautions into effect and our Company's efforts for fully complying with the Corporate Governance Principles will continue.

REASONS FOR NON-COMPLIED CORPORATE GOVERNANCE PRINCIPLES

Pursuant to the Communiqué No:II-17.1 and dated January 3,2014 of the Capital Markets Board on the Corporate Governance, and other regulations, non-complied issues with their grounds are as below:

That the Articles of Association entitle shareholders to appoint a special auditor, and that there is no additional provision on minority rights
Turkish Commercial Code and the CMB regulations are qualified for the appointment of special auditor and minority rights. Pursuant to the New Turkish Commercial Code 6102 which became effective in July, 2012, each shareholder's right to appoint a special auditor will be protected.

Presence of voting privileges:
The privileges attached to the Golden Share held by the Republic of Turkey Under secretariat of Treasury are statutory (4763 numbered law), and our company is not authorized to amend these privileges.

No articles in the Articles of Association regarding the procedures for invitation of the members of the board for a meeting by shareholders and stakeholders
Pursuant to the New Turkish Commercial Code 6102 which became effective in July, 2012, each board member may submit a written request to the chairman of the board to invite members of board of directors for a meeting. There is no the other way of invitation of the board members for a meeting.

Mechanisms and models to encourage participation of the stakeholders in the management of the company are not regulated by intercorporate rules or the Articles of Association
This issue is in the preparation phase.

Charter of the Audit Committee hasn't been disclosed yet
This issue is in the preparation phase.

Disputes between stakeholders (regulatory bodies and public authorities)
Resolving disputes between stakeholders is an ongoing process.

SHAREHOLDERS

INVESTOR RELATIONS

At Türk Telekom, a Capital Markets and Investor Relations Department ("the Department") has been formed which reports directly to the CEO with respect to the structured maintenance of relationships with existing and potential shareholders, effectively responding to the queries by investors and analysts, and carrying out the activities targeted at increasing the Company's share value. The Department is supervised by the Capital Markets and Investor Relations Director Onur Öz. Corporate Governance & Compliance Manager Süleyman Kısaç who holds required licenses took the responsibility arising from capital markets legislation and coordination of corporate governance practices.

Primary activities handled by the Department are as follows:

- Including the all kinds of cases related to Corporate Governance and Public Disclosure, performing the requirements of the Capital Market Regulations, and handling necessary internal and external disclosures and monitoring related processes
- Introducing and presenting the Türk Telekom Group to domestic and foreign individual and corporate investors,
- Keeping existing and potential investors regularly informed on the Company's activities, financial standing and strategies in a timely, accurate and complete manner,
- To ensure keeping of recordings related to correspondences between investors and the Company and other information and documents healthy, reliable and up-to-date
- Responding written information requests of shareholders related to the Company
- Regarding the General Assembly Meeting, preparing documents required to submit for shareholders's review and taking precautions to ensure organization of General Assembly Meeting in accordance with related regulation, articles of association and other regulations within the corporation
- Responding to the information requests by analysts researching about the Company; ensuring proper and optimum promotion of the Company and guaranteeing that reports for investors are prepared in an accurate and complete fashion,
- Sharing the interim and year-end statements, investor presentations, press releases and annual and interim activity reports regarding financial and operational results with investors and the press; updating the investor relations website regularly to ensure that shareholders have access to accurate and complete information,
- Keeping investors regularly informed on Türk Telekom and the Turkish Capital Markets by participating in conferences and investor meetings,
- Monitoring public disclosures made pursuant to the Company's disclosure policy and applicable legislation.
- Stock news are announced within the Company by watching the composition of domestic/foreign investors and significant changes in trade volume.

Contact information for employees working in the Capital Markets and Investor Relations Department is as follows:

Full Name	Title	Phone Number	E-mail Address
Onur Öz	Director		
Dr. Rasim Özcan	Advisor		
Süleyman Kısaç	Manager		
Özge Kelek	Manager		
Eren Öner	Manager	(+90) 212 309 96 30	ir@turktelekom.com.tr
Şule Gençtürk	Senior Analyst		
Nergis Gündoğdu	Senior Analyst		
Sezgi Eser	Senior Analyst		
Necla Seyhan Maç	Analyst		
Asuman Kemiksiz	Analyst		
Ayça Sincan	Director Assistant		

Please contact Süleyman Kısaç for questions related with dividends, General Assembly and transfer of shares.

The Department received over 1000 information requests by phone and email during 2013, all of which were answered. In this period, 9 roadshows were organized and met with 64 investors. In addition, the Company participated in 21 conferences, 5 of them were domestically held, and meetings were organized with 253 investors. In addition, the Department held over 30 internal investor meetings and around 100 teleconferences, thereby communicating with over 200 shareholders and/or analysts, ensuring that all queries have been fully responded to.

SHAREHOLDERS' EXERCISE OF THEIR RIGHT TO OBTAIN INFORMATION

Queries, other than those relating to trade secrets and undisclosed information, received from shareholders and analysts by the Capital Markets and Investor Relations Department by letter, phone, email and other means are answered in the fastest and most effective way possible upon contacting the relevant person with the highest authority on the related matter. Over 1000 information requests received by Türk Telekom in the relevant period were answered. Furthermore, current and retrospective information and developments relating to Türk Telekom that are of interest to shareholders are regularly communicated to the concerned parties by the investor relations website both in Turkish and English languages. They are also regularly communicated to those registered to our database via emails.

In addition to the foregoing, within the context of shareholders' exercise of their right to obtain information, data and information are provided on the investor relations website so as to ensure rapid and easy access to information about Türk Telekom. A large portion of this information is provided on the website both in Turkish and English languages. The website covering the related documents accessible at www.ttinvestorrelations.com is periodically updated.

Further details are presented under the heading "Corporate Investor Relations Website and its Content" below.

Company activities are periodically audited by independent auditors and statutory auditors appointed by the General Assembly upon proposal by the Board of Directors. Independent audit and financial consultancy services for 2013 activities were provided by Ernst and Young, which performs said services under the legal entity of Güney Bağımsız Denetim ve SMMM A.Ş.

There is no article related to the appoinment of a special auditor in the Articles of Association. Shareholders did not request the appointment of a special auditor in 2012 and no special audit was conducted. Being a telecommunications company, activities of Our Company is subjected to the audit and enquiry of Information and Communications Technologies Authority, Capital Markets Board of Turkey and Competition Authority. The results of enquiries and audits are disclosed to the public within the context of press releases issued by the related authorities and disclosure of material events regulated by the Communiqué on the Principles Regarding The Public Disclosure Of Material Events.

Minority shareholders may request the appointment of a special auditor according to the 438th and 439th articles of the New Turkish Commercial Code 6102.

GENERAL ASSEMBLY MEETINGS

Article 19 of the Articles of Association reads as follows: "The General Assembly shall be the main decision body of the Company possessing every kind of authority in relation to the business of the Company provided by law". Article 21 of the Articles of Association lists the "Material Decisions to be adopted by the General Assembly" as follows:
a) the presentation of any petition for winding-up;
b) any change to these Articles of Association;
c) any change to the corporate name of the Company;
d) any change to the accounting reference date or accounting policies except as required by law;
e) any change in the share capital or the creation, allotment or issue of any shares or of any other security or the grant of any option rights or rights to subscribe to the capitalor to convert any instrument into such shares or securities other than bonus shares;
f) any reduction of capital or variation of the rights attaching to any class of shares or any redemption, purchase or other acquisition by the Company of any shares or other securities of that company;
g) any merger with or material acquisition of any other company;
h) the cessation of any major Business operation;
i) any material change to the nature of its Business;
j) the payment or declaration by the Company of any dividend or distribution of any other kind relating to the shares other than in accordance with Article 30;
k) decisions on any of the matters referred to in Article 12 (a) to above to the extent such matters have not been approved in accordance with Article 12:

- The entry into of any contract or commitment not provided for in the Budget under which the Group Company may incur costs (per transaction) of more than US$50 million;
- The acquisition of any assets or property (other than in the ordinary course of business) at a total cost (per transaction) of more than US$50 million;
- The sale or disposition of any fixed assets for a total price per transaction of more than US$10 million;
- The borrowing of amounts by a Group Company which when aggregated with all other borrowings of that Group Company would exceed US$150 million except for the loans obtained from banks in the ordinary course of business;
- The entry into of any agreement (other than any management agreement referred to in Article 12(g) below) between a Group Company and a Shareholder (other than the holder of the Group B Shares) or its Associates which (x) is not on arm's length terms or (y) involves the transfer of monies or goods and services of a value greater than US$30 million;
- The appointment of any representative to act for the Company at any general assembly meeting of any Group Company (other than the Company and AVEA);

- the entry into of any management agreement between a Group Company on the one part and a Shareholder, or any Associated Companies of a Shareholder or any person that entered into a management agreement/management consultancy agreement with the holder of the Group A Shares or any of its Associated Companies in connection with the tender process for the block sale on the other part. However, this Article shall not prevent the Company from entering into employment or consultancy agreements with individuals

Organisations regarding our company's General Assembly Meetings are in the Türk Telekomünikasyon A.Ş.'s Articles of Association which is public and can be found on the company's Investor Relations website.

2013 General Assembly Meeting

On May 28, 2013, at the Türk Telekomünikasyon A.Ş. Genel Müdürlük Kültür Markezi, Turgut Özal Bulvarı, 06103 Aydınlıkevler,Ankara, Ordinary General Assembly convened without any press or stakeholder participation where 93.92% of the Company shares were represented in proxy. Shareholders attended the meeting both via electronic platform and individually. They posed their questions and had their answers during the meeting, all spoken issues were written to the Minutes of the Meeting. Minutes of the Meeting is accesible at the http://www.ttinvestorrelations.com/corporate-governance/general-assembly-meeting.aspx. No proposal for the agenda items were given by shareholders during the meeting.

Particulars related to the said 2012 Ordinary General Assembly Meeting dated 28 May 2013 were published on Turkish Trade Registry Gazette (TTRG) no. 8353 dated 1 July 2013. In addition, the relevant Regulatory Disclosures of Material Events made by our Company was also published on the Public Disclosure Platform as of meeting dates.

The rules governing the Company's General Assembly meetings are covered in Türk Telekomünikasyon A.Ş. Articles of Association which is publicly disclosed and posted on the investor relations website. According to Article 31 thereof, General Assembly meetings are announced at least 21 days in advance of the meeting date, excluding the dates of announcement and meeting, in the Turkish Trade Registry Gazette (TTRG) and two national newspapers in accordance with Article 414 of the Turkish Commercial Code and so as to inform the shareholders in advance of the General Assembly meetings. Information on General Assembly meetings, their agendas, invitation letters and sample proxy forms are also posted on the investor relations website.

The Company's Class A shares held by Ojer Telekomünikasyon A.Ş. and Class C shares held by the Undersecretariat of Treasury are registered, whereas the remaining shares are bearer shares. Shareholders who wished to exercise their rights arising from shareholding, fulfilled the necessary procedures for participation in General Assembly meetings pursuant to applicable legislation and attended to the General Assembly Meeting.

The announcement and explanations which our company is obliged to do as per corporate governance principles and invitation to the General Assembly Meeting and Minutes of the Meeting are made available for uninterrupted access to our shareholders at www.ttinvestorrelations.com.

Any transaction-that requires positive votes of majority of the independent board members in order to be resolved by Board of Directors and left to the discretion of General Assembly due to the negative votes of independent board members-did not occur.

In General Assembly Meeting, shareholders were informed about the unchanged donation policy and donations including humanitarian aid made by Our Company to the associations and charitable institiutions which were worth of TL 36,141,309 for the year 2013. These associations and institiutions operate in education, health, sports, and art.

Within the knowledge of our Company, shareholders that hold management control, board members, insiders with administrative responsibilities and spouses and up to third degree relatives by blood or marriage did not make any transaction that will be able to cause a conflict of interest between the Company and its subsidiaries; on behalf of themselves or someone else, did not make any business transaction included in the operation of the Company and its subsidiaries; or did not involve in another company that engages with the same kind of business transaction with the role of unlimited partner.

VOTING AND MINORITY RIGHTS

All Shares of Türk Telekom can be transferred except for one privileged (golden) share of Group C. For the purpose of protecting the national interest in issues of national security and the economy, the following actions and resolutions cannot be taken without the affirmative vote of the holder of the C Group Privileged Share at either a meeting of the board of directors or the General Assembly. Otherwise, such transactions shall be deemed invalid.
a) Any proposed amendments to the Articles of Association;
b) The transfer of any registered Shares in the Company which would result in a change in the management control of the Company;
c) The registration of any transfer of registered shares in the Company's shareholders' ledger

Pursuant to the Articles of Association, the holder of the C Group Privileged Share appoints one member representing the Privileged Share. The C Group Privileged Share owner cannot participate in capital increases. At the Extraordinary General Assembly Meeting dated 30 June 2012, Mehmet Habib Soluk was elected as the Board member representing the Class C golden share for a term of office of three years.

The Company's Articles of Association contain the provision that minority rights are to be exercised by shareholders representing at least 5% of the paid-in capital. However, minority shareholders are not represented on the Board of Directors.

There are no reciprocal shareholding interests in the Company's share capital.

DIVIDEND RIGHTS

The Articles of Association grant no privileges regarding participation in the Company's profit. Each share is entitled to equal profit share; however, holder of the Class C share does not receive any share from the profit. Türk Telekom dividends are paid within the legally prescribed periods of time by applicable legislation.

Our Company adopts a policy to distribute 100% of distributable profit which is calculated based on Capital Markets Board regulations. Dividend Distribution policy were submitted to the shareholders' information in 2011 Ordinary General Assembly Meeting convened on May 25, 2012. On the other hand, Board of Directors considered the short term financial liabilities of group companies, and conditions of those contracts signed with creditors in determining the Company's dividend distribution policy.

Board proposal regarding 2011 dividend distribution was resolved by General Assembly and dividend distribution on non public shares was made on 29 May 2013, for public shares dividend distribution was made on 31 May 2013.
As stated in the Company's Articles of Association, the dates and the manner of distribution of the annual profit to the shareholders are decided by the General Assembly upon proposal by the Board of Directors, in accordance with the provisions of the Capital Market Law and applicable legislation.

Dividend Distibution Policy is stated above and disclosed to the public via investor relations web site (www.ttinvestorrelations.com).

TRANSFER OF SHARES

The provisions in the Company's Articles of Association restricting transfer of shares are as follows:
Holder of Class A shares may transfer, always subject to vetoing by the Class C golden share, all or part of its shares to a third party at any time after either the expiration of the Strategic Undertaking Period, or after the date of full payment of the amount payable by the holder of Class A shares for its shares in the Company, whichever occurs later.

Holder of Class A shares may create pledge or encumbrance in favor of a financial institution over its shares which will not be subject to pledge of shares in time, as guarantee for money borrowed for the acquisition of such shares or otherwise.
In the event that such pledge or encumbrance is cashed by the relevant financial institution, the same may be able to transfer the Class A shareholder's shares subject to pledge and encumbrance only upon prior written consent of the Treasury, which consent will not be unreasonably withheld.

Subject to the provisions of the following two paragraphs, holder of Class B shares may not transfer to a third party all or part of its shares during the course of the Strategic Undertaking Period without the prior consent of the holder of Class A shares, which consent will not be unreasonably withheld.

1. In the context of the public offering of the Company's shares, only the Treasury may have all or part of its shares quoted and sold on the stock exchange at any time without being subject to the restriction in the preceding paragraph.
2. Holder of Class B shares may additionally transfer, without being subject to the restriction set out in the first paragraph, its own shares that are equal to 5% or less of the Company's total shares at the time of the transfer in a single transaction or in a series of transactions at any time and at any price in line with the Law 406, to employees mentioned in the Law 406 and to "small savings holders".

Furthermore, pursuant to the supplemental Article 17 of the Telegram and Telephone Law no 406 and Article 6, paragraph 4 of the Company's Articles of Association, the one Class C golden share may not be sold.

Strategic Undertaking Period ended in November 14, 2008. A Group Shareholder paid the full amount of its payables in the Company.

[1] "Share Pledge" the pledge over 1.540.000.000.000 Group A registered shares of the Company (equal to 80% of the Group A registered Shares of the Company) granted to the Group B Shareholder as security for the deferred consideration under the Share Sale Agreement;

PUBLIC DISCLOSURE AND TRANSPARENCY

COMPANY DISCLOSURE POLICY

Türk Telekom Disclosure Policy has been formulated in line with the CMB's Communiqué on Principles Governing Disclosure of Material Events No: II-15.1 and CMB's Corporate Governance Principles. The policy has been approved and put into effect by the Board of Directors and were submitted to the shareholders's information in General Assembly Meeting convened on April 6, 2010. It has been amended by board resolution no. 36 dated 23 June 2011 and submitted to the shareholders' approval in Extraordinary General Assembly Meeting dated November 14, 2011. The disclosure policy is posted on the investor relations website (www.ttinvestorrelations.com) under the "Corporate Governance" heading under the Investor Relations section. The Capital Markets and Investor Relations Department is responsible for the monitoring and development of the said policies, and the names and duties of the relevant responsibility owners are listed under the heading Investor Relations Unit. These individuals cooperate closely with the Board of Directors in the fulfillment of these responsibilities. Regarding guidance for 2013 which was disclosed to the public at the beginning of the year; Türk Telekom Group consolidated revenues reached to TL 13.2 billion in 2013. Excluding the negative effect of TL 169 million of MTR cut, consolidated revenue is over the lower of the expectation (TL 13.3 billion).Group EBITDA reached to TL 5.0 billion in 2013. Excluding the impact of TL 115 million one-off operational expenses, EBITDA would be TL 5.1 billion which was the lower end of the 2013 expectation. In 2013, Group investment expenditures reached to TL 2.2 billion, meeting the expectation.

INVESTOR RELATIONS WEB SITE AND ITS CONTENT

Corporate Investor Relations website which is accessible at www.ttinvestorrelations.com, is actively used in achieving transparency and public disclosure in parallel with the Capital Market legislation, CMB and ISE rules and regulations, and CMB's Corporate Governance Principles. A large portion of the information on the website is provided both in Turkish and English. The main headings covered on the website are listed below:

- Detailed Information About Company Profile
- Vision, Mission and Values
- Strategy
- Company Organization Chart and Shareholding Structure
- Information About The Members Of The Board Of Directors and Senior Management Of The Company
- Articles Of Association
- Trade Registry İnformation
- Financial Statements and Activity Reports
- Regulatory Disclosures
- Press Releases
- Investor Presentations
- Investor Relations News
- Stock Performance Information
- Contact İnformation Of Analysts Who Covered The Company
- Expectation Survey Of Analysts Regarding Financial Results
- Meeting Date Invitation To General Assembly, Agenda Of The General Assembly Of Shareholders and Documents Related To The Minutes Of General Assembly Meeting Agenda
- Meeting Minutes and List Of Attendants Of The General Assembly Of Shareholders
- Sample Of Letter Of Attorney
- Corporate Governance Practices and Compliance Report
- Dividend Distribution Policy, History And Capital Increases
- Independent Auditor
- Insiders With Administrative Responsibilities
- Internal Audit And Risk Management
- Related Party Transactions
- Disclosure Policy
- Remuneration Policy
- Compensation Policy
- Donation Policy
- Telecom Glossary
- Demand Circular Related To The Public Offering and Prospectus
- Türk Telekom Call Center And Contact İnformation
- CM&IR Contact İnformation
- Information Related To The Social Responsibility Projects Of Türk Telekom

ACTIVITY REPORT

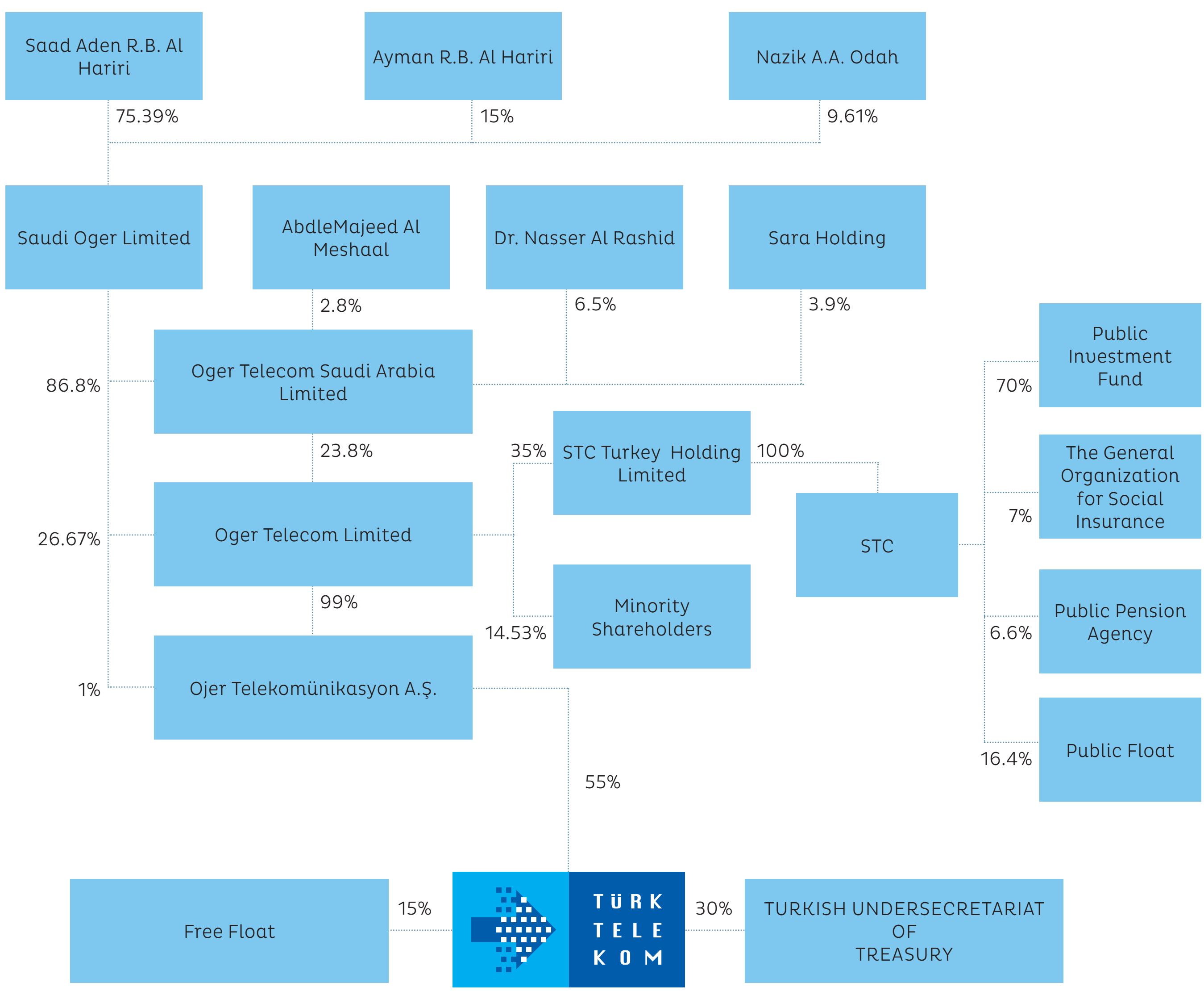
The content of the annual activity report are prepared in accordance with New Turkish Commercial Code and Capital Market Board regulations. There were no conflicts of interest arising between Türk Telekom and the related organizations which offer investment advice, investment analysis, and rating activity. Board of Directors did not propose not to distribute any dividends to the General Assembly. Chief Executive Officer is not the Chairman of the Board of Directors. Regarding guidance for 2013 which was disclosed to the public at the beginning of the year; Türk Telekom Group consolidated revenues reached to TL 13.2 billion in 2013. Excluding the negative effect of TL 169 million of MTR cut, consolidated revenue is over the lower end of the expectation (TL 13.3 billion).Group EBITDA reached to TL 5.0 billion in 2013. Excluding the impact of TL 115 million one-off operational expenses, EBITDA would be TL 5.1 billion which was the lower end of the 2013 expectation. In 2013, Group investment expenditures reached to TL 2.2 billion, meeting the expectation. As there is no reciprocal shareholding interests in the Company's share capital, no information regarding this issue is placed in activity report.

DISCLOSURE OF ULTIMATE CONTROLLING INDIVIDUALS

Not subject to the authorized capital system, the Company has a share capital of TL 3,500,000,000 which is fully paid-in. The distribution of the paid-in capital among the shareholders is shown below:

Class	Shareholder	Capital Amount (TL)	Share (%)
A	Ojer Telekomünikasyon A.Ş.	1,925,000,000.00	55
B	TR UNDERSECRETERIAT OF TREASURY	1,049,999, 999.99	30
C	TR UNDERSECRETERIAT OF TREASURY	0.01	
D	Free Float	525,000,000.00	15
Total		**3,500,000,000.00**	**100**

Natural and legal persons owing share from our Company's capital are stated below:



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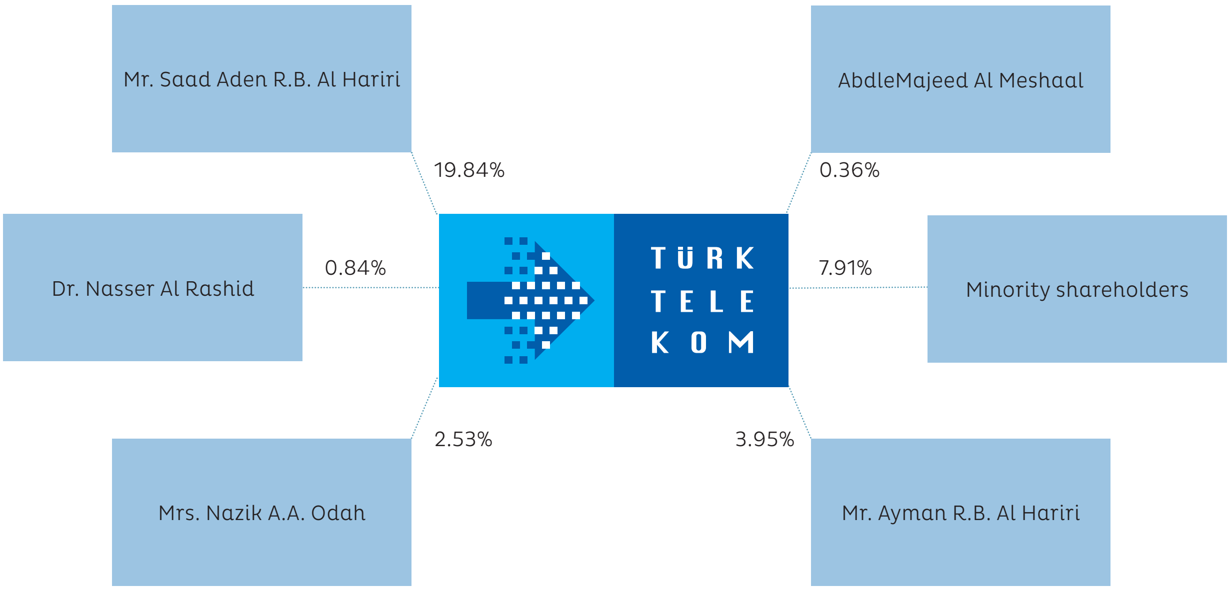

STAKEHOLDERS

KEEPING STAKEHOLDERS INFORMED

Türk Telekom shareholders and investors are kept informed in line with the public disclosure principles. The Company's Corporate and Customer Presidency and Call Center efficiently handle Türk Telekom customers' information requests about services and products, their comments or complaints, and provide solutions for customer problems.

A customer relationship management which entails a transition to a customer-oriented customer service approach from the existing service and technology oriented relationship approach, was conducted. Each customer's information is collected in one place, allowing Türk Telekom for analysis and improve the customer experience thanks to "One Customer, One View Approach". Employees of Türk Telekom may identify the main reasons of customer complaints and find best solutions for them by Heroes of Customers project which is implemented in 2012. Sales Channel Excellence Project facilitated to address shortcomings in its dealer network which required more investment and training. This project entailed an evaluation of the dealer network with geographical location, sales capabilities and financial positions f the dealers being assessed.

Intercorporate news are issued by Human Resources – Internal Communication Department to the employees. Enabling stakeholders to freely communicate their concerns about any illegal or unethical practices to the Corporate Governance Committee or Audit Committe is an ongoing process.

STAKEHOLDER PARTICIPATION IN MANAGEMENT

There is no specific rule of the Company regarding stakeholder participation in management.

HUMAN RESOURCES

Türk Telekom aims to be the most preferred company in the Turkish telecommunications sector, to attract and recruit the most skilled human resources aligned with the corporate culture and values and in line with its future strategies and targets.

Recruitment and carreer planning are made in line with the principle of providing equal opportunities to employees within the context of human resources policy. Recruitment principles are defined according to objective criteria as part of body of rules for recruitment. It is aimed to generate long term employment within the possibilities of technological developments, fiscal and economic conditions, sectoral variations, convergence of goods and services, organizational and changes in order to provide fast, high quality and economical services. Continuous improvement of the Company depends on the capability and flexibility of employees to adapt to changing conditions of the sector quickly and efficiently. In this regard, recruitment is made locally and internationally. Recruitment processes are defined pursuant to relevant legislations. Relations with employees is managed by Human Resources Partners, a human resources representative hasn't been assigned yet.

Working Culture
Türk Telekom makes it a goal to establish an ongoing relationship with its employees and stakeholders built on respect, trust and ethical values, adhering to the corporate culture built and maintained on the basis of respect and sharing, as well as its principles which include 'Customer Focused, Trustworthy, Innovative, Responsible and Dedicated'. There was no complaint regarding discrimination from our employees in 2013.

Our working culture is characterized by providing high quality products and services and achieving high levels of customer satisfaction, inreasing productivity. The objectives which are specific, measurable, attainable, relevant and time bound, are compared based on their correlation with the actual performance results. Alternative, Customer-Focused Approaches are developed in order to follow -up, evaluate and resolve customer complaints.

Intranet of the Company creates corporate awareness, enables employees to access to all business resources, contributes to employees's career development and creates a synergy through events and social activities. Definitions of tasks and their distribution and performance related reward mechanisms are disclosed by Performance Management Team.

Health and Safety
Türk Telekom is obliged to develop measures pursuant to the Labor Law and articles related to Occupational Safety and Health issues raised and to fulfill the requirements in all workplaces. Türk Telekom has created accident prevention and environmental awareness among employees by developing Occupational Health and Safety & Environmental Management System model.

Türk Telekom has unionized labor. Rights of employees, employers and workers are rotected in accordance with the Collective Labor Agreements signed..

Performance Management and Continuous Improvement
"In-house performance evaluation" methods have been established in order to manage and evaluate performance of corporate and employees. Responsibilities, competencies, performance of business development and contribution to company goals of employees are determined by objective criteria within the framework of quality, quantity, time and cost of the work. In this process, after the performance feedback, employee training requirements are determined, promotion and other reward mechanism is executed within the context of objective criterias. Performance evaluation and knowledge of methods and mechanisms are submitteed to employees' attention before the assessment of staff. The generated performance management module; below management processes are discussed.

- Planning and approval of individual targets in line with the objectives of the Company,
- Monitoring employee performance continuously in line with the goals, action plans and criteria and giving feedback,
- Evaluating of performance,
- Supporting motivation and continuous improvement, clarifying expectations regarding development plans,

Türk Telekom providing opportunities for the personal and professional development of its employees to create a performance management concept focused on constant development where employees will be able to realize their full potential. Türk Telekom also aims to support corporate goals by enhancing the loyalty of its "human resources", its most valuable asset, to the Company. Within this process, Türk Telekom Academy supports the development of employees.

Remuneration
The Company aims to attract new well qualified employees, prioritizes to employee retention, keep motivation high in order to make services sustainable and reward outstanding performers. Remuneration is determined by the relevant legislation, the job description, required responsibilities and qualifications and the market value.

CODE OF ETHICS AND SOCIAL RESPONSIBILITY
The code of ethics that is the key for the Company's success, as well as for the personal success of our employees, has been approved by the Board of Directors and submitted to the shareholders's information in 2009 Ordinary General Assembly Meeting convened on April 6, 2010. The Code of Ethics is a body of rules that must be abode by the Company executives in particular, and all employees in general, while also leading other employees to act in compliance with these principles. The Code of Ethics is of a complementary nature to Türk Telekom Disciplinary Principles.

Social Responsibility
Türk Telekom while adding value to its customers' lives with its products and services, gathered all social responsibility projects, implemented across Turkey under a single roof named "Türkiye'ye Değer" in 2012.

Turkey's leading communication and convergence technologies company contributes to the country by investing not only in technology and infrastructure but also in human resources.

Türk Telekom creates values undertaking various social responsibility activities that focus on the nation's economic and social needs including, in particular, education, culture and arts, technology, environment and sports.

Information on the "Türkiye'ye Değer" projects are shared with the public also via the corporate website. Detailed information is available also at www.turkiyeyedeger.com.tr.

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BOARD OF DIRECTORS

STRUCTURE AND FORMATION OF THE BOARD OF DIRECTORS

Structure of the Board of Directors is below:

Name/Surname	Duty	Independent/Not	Executive/Non Executive	Committees and Duties
Mohammed Hariri	Chairman	Not Independent	Non-Executive	Corporate Governance Committee (Member)
Abdullah Tivnikli	Board Member	Not Independent	Non-Executive	
Khaled Hussain S. Biyari	Board Member	Not Independent	Non-Executive	Audit Committee (Observer Member)
Hakam Kanafani	Board Member	Not Independent	Non-Executive	
Rami Aslan	Board Member, CEO	Not Independent	Executive	
Mazen Abou Chakra	Board Member	Not Independent	Non-Executive	Audit Committee (Observer Member), Identification and Management of Risks Committee(Member)
Cenk Serdar	Board Member	Not Independent	Non-Executive	Corporate Governance Committee(Member),Identification and Management of Risks Committee(Member)
Mehmet Habib Soluk	Board Member	Not Independent	Non-Executive	
İbrahim Şahin	Vice Chairman	Independent	Non-Executive	Audit Committee (Chairman)
Adnan Çelik	Board Member	Independent	Non-Executive	Corporate Governance Committee (Chairman)
İbrahim Eren	Board Member	Independent	Non-Executive	Audit Committee (Member)

Biographies of the members of Türk Telekom's Board of Directors are placed in the Board of Directors Section of the annual report. Pursuant to the 10th article of the Articles of Association, the members of the Board of Directors shall hold office for a term of 3 years. There is no distribution of tasks between the members of Board of Directors. General Assembly elected Independent members of Board of Directors during its Extra Ordinary General Assembly Meeting which was held on 30 June 2012. Since a nomination committee could not be formed under the board of directors, Audit Committee performed the functions of Nomination Committee in line with CMB principles. Four independent members of Board of Directors were nominated to the Audit Committee by B Group Shareholder. A report regarding nominees' independence situation was submitted to the Board of Directors by Audit Committee. After CMB provided consent for the nominees, the nominess of independent members of board of directors were submitted to the General Assembly's approval and elected as well. After resignation of Efkan Ala, Independent Board Member, İbrahim Eren was nominated to the Corporate Governance Committee acting as Nomination Committee by B Group Shareholder. A report regarding nominee's independence situation was submitted to the Board of Directors by Corporate Governance Committee. After receiving the consent from application to CMB for the nominee, on 29 January 2014 Board of Directors has resolved that İbrahim Eren shall be appointed as an Independent board member, in the capacity of real person board member, to the board member position which became vacant due to the resignation of Efkan Ala on 27 December 2013, for the remaining term of office of the Board of Directors in accordance with Article 363 of Turkish Commercial Code as to be submitted to the approval of the General Assembly of the Company at the first upcoming General Assembly Meeting to be held.

There was no circumstances that jeopardize independence of board of directors in the activity period. No company rules have been internally established regarding the positions of the Board of Directors held outside the company yet.

The Positions of The Board Of Directors Held Outside The Company are as below:

Name/Surname **Duties in TT Group over the last 5 years**	**Duties outside of Türk Telekom**	
Mohammed Hariri – Chairman of the Board, – Chairman of the Executive Committee, – Member of Corporate Governance Committee Previous: Chairman of the Audit Committee	Chairmanship of the Board	Avea İletişim Hizm. A.Ş.,TTNET A.Ş., Oger Telekomünikasyon A.Ş., Oger Telecom Ltd, CELLC, GroupMed sal (Holding), BankMed sal, SaudiMed Investment Company, GroupMed International Holding Limited
	Vice Chairmanship of the Board	Saudi Oger Ltd ve other affiliated SPVs
	Board Membership	Enterprise de Travaux Internationaux, Arab Bank plc., Al Mal Investment Holding, 3C Telecommunications (PTY) Limited, Oger International SA, Lanun Securities S.A.
İbrahim Şahin - Vice Chairman of the Board, - Chairman of the Audit Committee, - Member of the Executive Committee	Board Membership	Avea İletişim Hizmetleri A.Ş., Türkiye Golf Federasyonu
	Other	General Manager of TRT, Member of the Trustee of Türk Telekom Health And Social Welfare
Abdullah Tivnikli – Board Member, – Member of the Executive Committee	Chairmanship of the Board	4TEK İletişim A.Ş., Çeşme Enerji A.Ş., Eksim Elektirik Enerjisi İthalat İhracat ve Toptan Satış A.Ş., Eksim Yapı ve İnşaat A.Ş.,Eksim Yatırım Holding A.Ş.,Eymir Enerji A.Ş.,Fortek Telekomünikasyon Hizmetleri A.Ş.,İltek Enerji Yatırım San.ve Tic.A.Ş.,Karadeniz Elektirik Yatırım San. Tic. A.Ş.,Kartaltepe Enerji A.Ş.,Kök Makine San. ve Tic. A.Ş.,Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.,Merzifon Enerji A.Ş.,Net Ekran Televizyonculuk Ve Medya Hizmetleri A.Ş.,Rewe Enerji A.Ş., Seferihisar Enerji A.Ş.,Stoneks Madencilik ve Doğaltaş San.ve Tic.A.Ş.,Susurluk Enerji A.Ş.,Tam Enerji Yatırım San. ve Tic. A.Ş.,Tokat Enerji A.Ş.
	Vice Chairmanship of the Board	Argela Yazılım ve Bilişim Teknolojileri A.Ş.,Assistt Rehberlik ve Müşteriz Hiz. A.Ş.,Batı Hattı Doğalgaz Tic. A.Ş.,Hasanbeyli Enerji A.Ş.,İnnova Bilişim Çözümleri A.Ş., Kuveyt Türk Katılım Bankası A.Ş.,RSH Enerji A.Ş., Sebit Eğitim ve Bilgi Teknolojileri A.Ş.
	Board Membership	Akabe İnşaat San.ve Tic.A.Ş.,Avea İletişim Hizmetleri A.Ş.,Kat Turizm Gayrimenkul Yatırımları Ve İşletme Ticaret A.Ş.,Ottoman Gayrimenkul Yatırımları İnş. ve Tic. A.Ş.,Saf Gayrimenkul Yatırım Ortaklığı A.Ş.,Sinangil Gıda Pazarlama San. ve Tic. A.Ş.,TT Net A.Ş.
Rami Aslan – Board Member, – CEO, – Member of the Executive Committee	Chairmanship of the Board	Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret A.Ş., AssisTT Rehberlik ve Müşteri Hizmetleri A.Ş., Innova Bilişim Çözümleri A.Ş., Sebit Eğitim ve Bilgi Teknolojileri A.Ş.,Türk Telekom International AT AG.
	Board Membership	Oger Telecom Ltd., Avea İletişim Hizmetleri A.Ş., TTNET A.Ş., Net Ekran Televizyonculuk ve Medya Hizmetleri A.Ş., Cell C (Pty), 3C Telecommunications Pty Ltd.
Mazen Abou Chakra – Board Member, – Observer Member of the Audit Committee, – Member of the Early Identification of Risks Committee	Board Membership	Oger Telecom Ltd, Cell C (Pty), 3C Telecommunications Pty Ltd, Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret A.Ş., AssisTT Rehberlik ve Müşteri Hizmetleri A.Ş., Net Ekran Televizyonculuk Ve Medya Hizmetleri A.Ş.
	Other	Oger Telecom Ltd. Chief of Legal Officer
Hakam Kanafani – Board Member, Previous: TT Group CEO	Vice Chairmanship of the Board	Türk Telekom International AT AG.
	Board Membership	Ojer Telekomünikasyon A.Ş., Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret A.Ş., Innova Bilişim Çözümleri A.Ş., Sebit Eğitim ve Bilgi Teknolojileri A.Ş.

→ **CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT**

Name/Surname Duties in TT Group over the last 5 years	Duties outside of Türk Telekom	
Cenk Serdar – Board Member, – Member of the Corporate Governance Committee – Member of the Early Identification of Risks Committee	Board Membership	Avea İletişim Hizmetleri A.Ş., TMOB Mobile
	Other	Senior Assistant General Manager of STC responsible for Individual Customers
Mehmet Habip Soluk Board Member	Other	Undersecretary of Ministry of Transport, Maritime and Communications, Member of the Trustee of Türk Telekom Health And Social Welfare
Dr. Khaled H. Biyari – Board Member – Observer Member of the Audit Committee	Board Member Ship	General Manager of IPBC Uluslararası Proje Yönetimi ve Müşavirlik A.Ş.
Adnan Çelik – Board Member – Chairman of the Corporate Governance Committee	Other	Vice President of TRT (Turkish Radio Television), Founder and Owner of Who Pictures
İbrahim Eren – Board Member – Member of the Audit Committee	Other	TRT Genel Müdür Yardımcısı, Who Pictures Kurucusu ve Sahibi Vice President of TRT (Turkish Radio Television), Founder and Owner of Who Pictures

PRINCIPLES OF ACTIVITY OF THE BOARD OF DIRECTORS

Pursuant to the Articles of Association, the Board of Directors shall meet at least four times a year or shall meet whenever the Company's business so requires. The activities of the Board of Directors are run by Board Secretariat. At least 10 business days before the meeting, a notice of the time of meeting and the agenda which is accompanied by any relevant papers are sent to the Board of Directors. Meeting notices were sent to the members of the Board of Directors via e-mail.The agenda of the meeting is set via e-mails according to the proposals of members of the Board of Directors, CEO, VPs and Executive members of departments Agenda is finalized by receiving the consent of the Chairman of the Board. 7 Meetings of the Board of Directors were held in fiscal 2013. The over-all attendance rate of board meetings in 2013 was 95 percent.

Pursuant to the 12th article of Articles of Association; questions arising at a meeting were passed by a simple majority of the votes of the Directors present at such meeting unless the resolution relates to a "Supermajority Decision Relating to the Board. Supermajority Decisions Relating to the Board were taken with the presence and affirmative vote of 7 Directors, at least one of which shall be a Director representing the Treasury. Questions arising at the meeting of Board of Directors and issues with multiple views are recorded into minutes with the appropriate grounds of negative votes in detail. The rights of member of Board of Directors representing C Group are explained in the section of Voting Rights and Minority Shares. No negative votes on these resolutions were recorded.

NUMBERS, STRUCTURES AND INDEPENDENCE OF COMMITTEES WITHIN THE BOARD OF DIRECTORS

Membership structure of the Audit Committee was changed with the Board Resolution dated 17 October 2012. Efkan Ala was appointed as non executive chairman of the Audit Committee. İbrahim Şahin and Süleyman Karaman were appointed as non executive members of the Audit Committee. Non executive board members; Rami Aslan, Mazen Abou Chakra and Ameen Fahad A Alshiddi were appointed as observer members of the Audit Committee. Non executive board member, Jameel Abdullah A Al Molhem was appointed to the observer membership of the Audit Committee replacing Ameen Fahad A Alshiddi who resigned from his position as of 11 December 2012. On 23 October 2013 non executive board member, Maziad Nasser M Alharbi was appointed to the observer membership of the Audit Committee replacing Jameel Abdullah A. Al Molhem who resigned from his position as of 1 April 2013. On 27 December 2013 Efkan Ala resigned from his position of Board Membership and chairman of Audit Committee. On 4 February 2014 İbrahim Şahin was appointed as chairman of Audit Committee replacing Efkan Ala who resigned from his position and İbrahim Eren was appointed as member of the Audit Committee. Khaled Biyari was appointed as observer member of the Audit Committee replacing Maziad Nasser M. Al-Harbi who resigned from his position. It was resolved that appointment to observer membership of the audit committee which became vacant after Rami Aslan's resignation, will be later. Süleyman Karaman has resigned from his position on February 25, 2014.

Corporate Governance Committee was established with the Board Resolution dated 17 October 2012. Adnan Çelik was appointed as non executive chairman of the Corporate Governance Committee. Mohammed Hariri and Ghassan Hasbani were appointed as non executive members of the Corporate Governance Committee. Non executive board member, Jameel Abdullah A Al Molhem was appointed to the membership of Corporate Governance Committee replacing Ghassan Hasbani who resigned from his position as of 11 December 2012. On 23 October 2013, non executive board member, Maziad Nasser M Alharbi was appointed to the membership of Corporate Governance Committee replacing Jameel Abdullah A. Al Molhem who resigned from his position as of 1 April 2013. On 4 February 2014, Cenk Serdar was appointed as the member of Corporate Governance Committee replacing Maziad Nasser M. Al-Harbi who resgined from his position.

Early Identification of Risks Committee was established with the Board of Resolution dated 23 October 2013. Non executive, independent board member Süleyman Karaman was appointed as the chairman of the committee. Non executive board members Mazen Abou Chakra and Maziad Nasser M Alharbi were appointed as members of the committee. On 4 February 2014, Cenk Serdar was appointed as the member of the committee replacing Maziad Nasser M. Al-Harbi who resigned from his position. Süleyman Karaman has resigned from his position on February 25, 2014.

Audit Committee shall meet four times a year. The Committee reviewed and monitored Türk Telekom Group's processes of accounting, finance and auditing as well as their processes for monitoring compliance with law and regulations and their own code of business conduct, as well as such other matters which may be delegated specifically to the Committee by the Board from time to time. Preparations regarding the audit committee charter is an ongoing process. Corporate Governance Committee shall convene at least quarterly. Activities of the Corporate Governance Committee in 2013 were done according to the guidelines included in its charter. Early Identification of Risks Committe shall meet every 2 months. Establishment goal of the committee is to to early identify any potential risks that might jeopardize the existence, development and continuation of the Company, to take and implement the necessary measures and preventive actions for the elimination of such detected potential risks as well as to perform and coordinate any studies related to risk management facilities and to manage and review the risks by applying a risk management system and to report the Board of the Directors thereon.

RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM

Türk Telekom has defined its mission regarding the management of risks and opportunities as "by means of raising an awareness on the ever-changing internal and external dynamics, to most effectively manage the risks and related opportunities faced by the Company and to make Enterprise Risk and Opportunity Management an indispensable part of the corporate culture and strategic decision-making." while "to integrate the Enterprise Risk and Opportunity Management into Türk Telekom's management structure as a best practice both in Turkey and in the world." is designated as the vision.

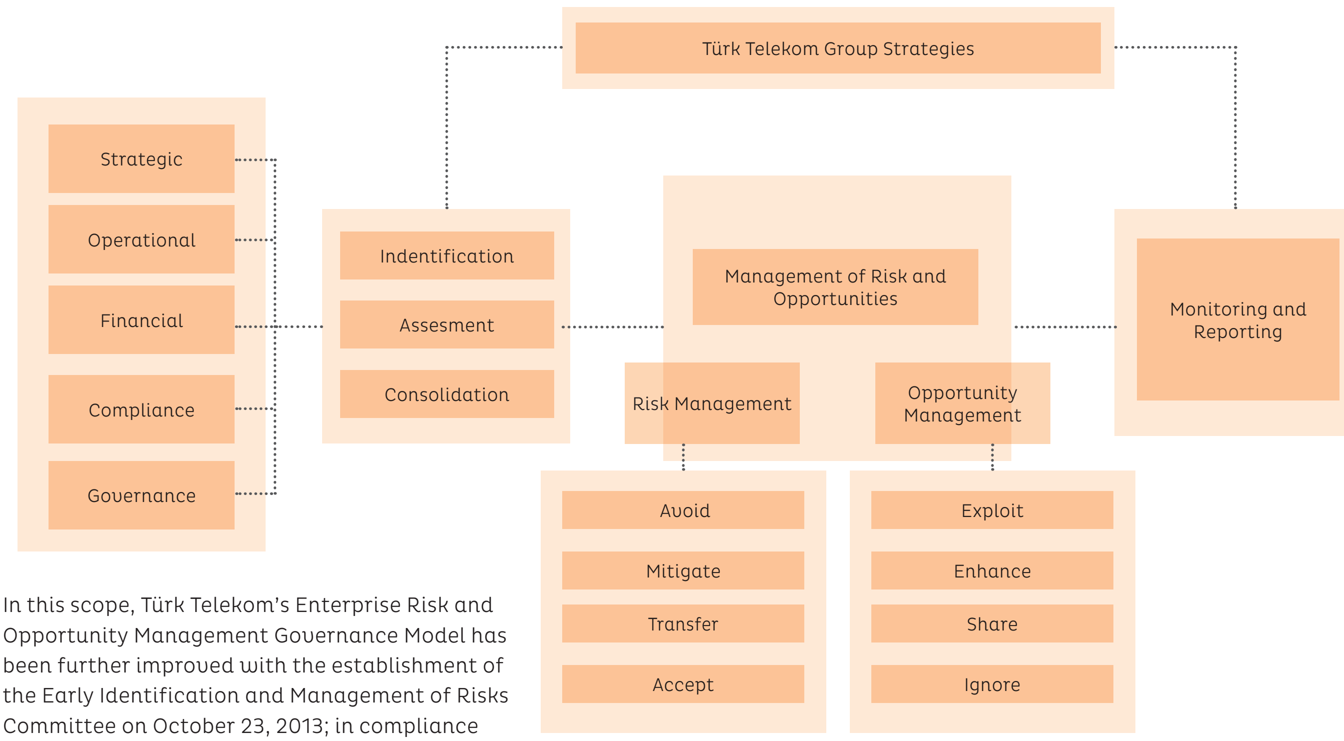
The management approach of the Company not just comprises of the mitigation of the risks already present/that might arise in the risk universe; but also includes the treatment of risks born from not taking advantage of the related opportunities. In this context, Board of Directors and the Top Management of Türk Telekom embraces the value-creating role of Enterprise Risk and Opportunity Management and supports the effectiveness of the system avidly.

Enterprise Risk and Opportunity Management has been structured to support Türk Telekom in achieving its strategic objectives. While establishing these objectives; an analysis on each strategic choice as well as its risks and returns are conducted to have an optimal balance between performance aims and the aforementioned risks. Risks that can prevent/lessen the effectiveness of strategic attempts are identified and quantified via certain metrics. External risks that cannot be mitigated by Türk Telekom are assessed on their impact, probability, speed of progress and Türk Telekom's preparedness of facing those with the aim of supporting Türk Telekom in reaching its strategic objectives. Existing/emerging opportunities are also identified via this approach.

An integrated governance model among Türk Telekom and its affiliates has been developed for the mitigation of losses arising both from risks and the non/mis-management of opportunities where the risk universe is identified by business functions periodically. All risk areas are closely monitored and the risks are managed by risk owners within this framework.

The risks Türk Telekom is exposed to are classified as strategic, operational, financial, governance and compliance. These risks are measured via qualitative and quantitative risk metrics and management tools which are continuously improved and updated to be in harmony with the dynamic global conditions and ICT sector.

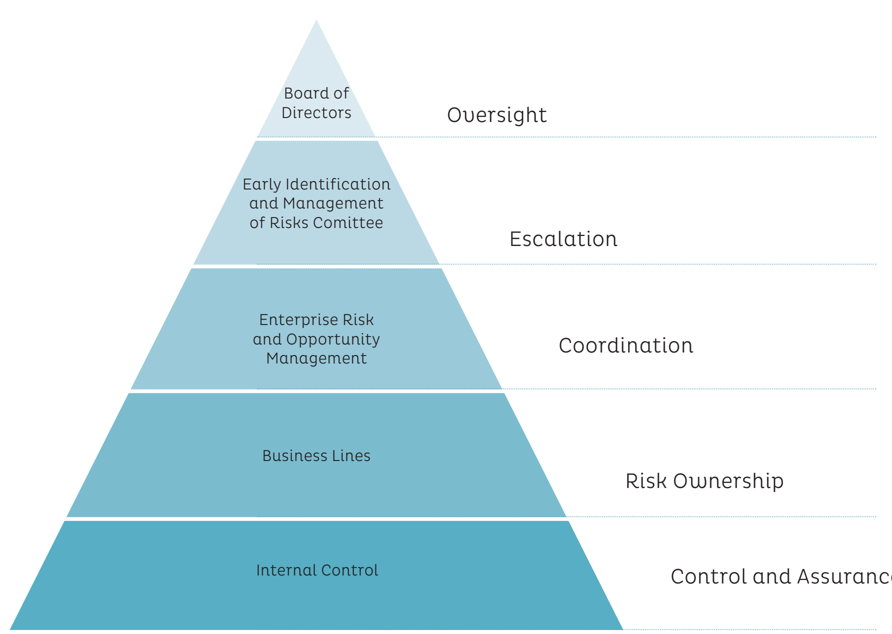
TÜRK TELEKOM ENTERPRISE RISK AND OPPORTUNITY MANAGEMENT PROCESS



In this scope, Türk Telekom's Enterprise Risk and Opportunity Management Governance Model has been further improved with the establishment of the Early Identification and Management of Risks Committee on October 23, 2013; in compliance with the Capital Markets' Board's related regulations.

TÜRK TELEKOM ENTERPRISE RISK AND OPPORTUNITY MANAGEMENT GOVERNANCE MODEL

In this governance model;
Board of Directors, oversees and assesses the risks and opportunities faced by Türk Telekom in compliance with the Company's strategies.
Early Identification and Management of Risks Committee identifies the risks and opportunities faced by Türk Telekom and establishes the Risk and Opportunity Management process. It escalates the significant risks and opportunities to the Board of Directors.
Enterprise Risk and Opportunity Management coordinates all the risk and opportunity management functions among business lines and between Group firms. It assesses the risk limits and risk levels deemed important for Türk Telekom.

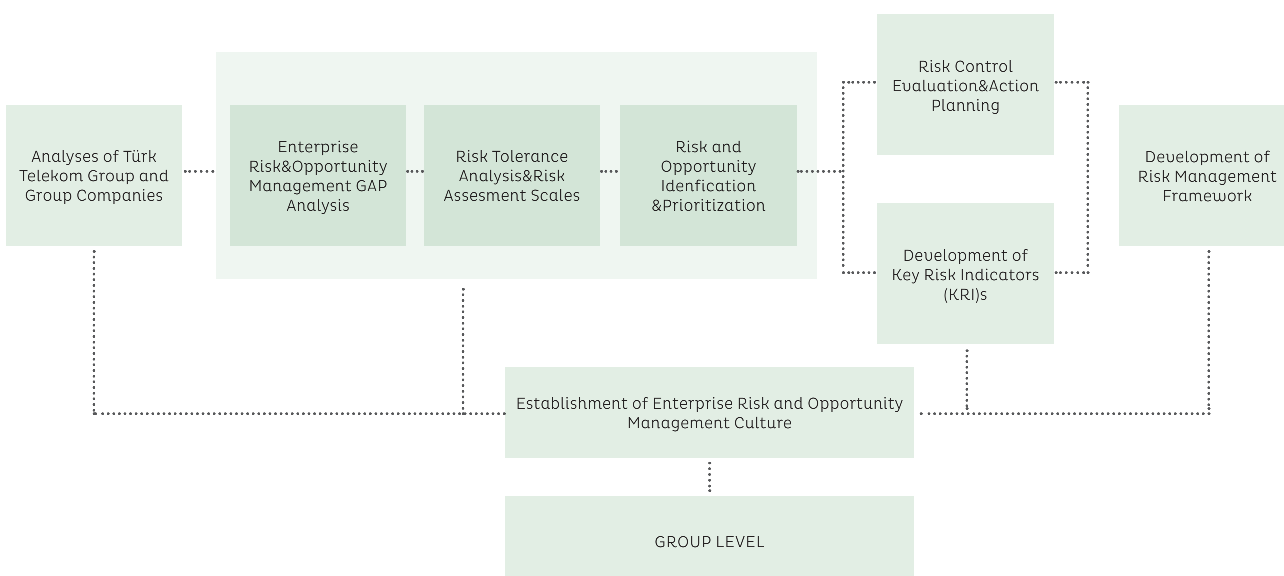


Business functions own the related risks and opportunities and takes relevant measures and actions.
Internal Audit gives assurance on controls and actions. It controls the operability of the system and reports the actions.

Risks and opportunities faced by Türk Telekom are transparently assessed in the workshops conducted in 2013 between Group Companies and all business functions in compliance with the aforementioned framework. During the assessment process; root causes triggering the risks, correlation between the risks, factors specific to the sector and macroeconomic dynamics are also taken into account.

This process has been designed by a bottom-up approach through business functions and management levels of Türk Telekom Group. Therefore, relevant analyses have been re-assessed with a higher level of manager and the identified risks and opportunities are presented to top level decision-makers iteratively. This approach has proven advantageous for the specification of the risk universe down to the last detail and elevation of the risk and opportunity ownership among the Company to the top level via the meticulous collection of all related data regarding the management of risks and opportunities from all sources available and including all business levels in the process.

ENTERPRISE RISK AND OPPORTUNITY MANAGEMENT FRAMEWORK



Practices regarding action planning are still being carried out and the business processes and related risk management approaches are being structured dynamically. Related applications are planned to be conducted periodically with the coordination of Enterprise Risk and Opportunity Management from here onwards.

MISSION, VISION AND STRATEGY

Mission, vision statements and strategy of the Company are mentioned in Strategy Section of the annual report. Board of Directors watches monthly the performance of the Türk Telekom reaching its strategical guidance.Board of Directors' assessment of this issue is placed in the annual report.

PROHIBITION ON DOING BUSINESS AND COMPETING WITH THE COMPANY

The Company has adopted practices that are aligned with Articles 395 and 396 of the Turkish Commercial Code and Corporate Governance Principles attached to the Communiqué Serial: IV, No: 56 on the Determination and the Enforcement of the Corporate Governance Principles.
At the General Assembly Meeting dated 28 May 2013, permission was given to the controlling shareholders, the Board of Directors Members, the senior executives, their spouses and their relatives by blood and marriage up to the second degree to make transactions which may cause conflict of interest for the Company or Company's subsidiaries and to compete in accordance with the Communiqué of the Capital Markets Board Serial: IV, No:56 on the Determination and Execution of the Corporate Governance Principles and the general assembly was informed about the transactions of this nature realized within the year.

REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

Shareholders were informed about the "Remuneration Policy" determined for the Board of Directors Members and the Senior Executives in accordance with the Corporate Governance Principles at the Ordinary General Assembly Meeting dated 28 May 2013. Remuneration Policy was disclosed to the public and put on the investor relations web site within the same day. Remuneration of the members of the Board of Directors is determined by the General Assembly in accordance with Article 408 of the New Turkish Commercial Code and Article 8 of the Company's Articles of Association. General Assembly approved and accepted that each member of the Board of Directors shall be paid net remuneration at an amount of TL 8.000 on monthly basis as well as the premiums at the same amount of the monthly remunerations twice in a year, in January and in July. There is no erformance measurement and performance-based rewarding system in place for the Board members. The Company has never lent money or extended loans to any Board member or executive, no credit has been given under the name personal loan through third persons, nor have any guarantees been provided such as suretyship in their favor

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

	December 31, 2013 (thousand TL)	**December 31, 2012 (thousand TL)**
Short-term benefits	81,739	88,924
Long-term defined benefit plans	1,894	1,718
	83,633	**90,642**

Furthermore, OTMSC charged to the Company a management fee amounting to thousand TL 23,607 and an expense fee for an amount of thousand TL 238 for the year ended 31 December 2013 (31 December 2012 – thousand TL 19,617 and thousand TL 351), based on the contract between OTMSC and the Company. OTMSC's ultimate shareholder is Saudi Oger. Significant portion of the expense fee represents salaries of key management personnel. The contract has been renewed on 15 April 2012 for an annual charge of thousand USD 12,000 (prior contract value: thousand USD 8,500) for three years.

STATEMENT OF INDEPENDENCE

I have been nominated as the board member to be appointed in the Extraordinary General Assembly Meeting of Türk Telekomünikasyon Anonim Şirketi to be to be held on 30 June 2012. Pursuant to Corporate Governance Principles attached to the Communiqué Serial V No: 56 on the Definition and the Enforcement of the Corporate Governance Principles which has been amended by Serial IV No: 57 and Serial IV No: 60, the independent board member nominees are required to submit to the Board of Directors their written declarations stating that they are independent at the time they are nominated. Consequently, according to the Corporate Governance Principles of the Capital Markets Board; I hereby submit to the information of the Audit Committee, the Board of Directors and all concerned parties that;

1. A direct or indirect, employment relationship of an executive position with important duties and responsibilities, shareholding or significant commercial relationship with Türk Telekomünikasyon A.Ş., related parties of Türk Telekomünikasyon A.Ş. or entities related in terms of management or capital to the persons controlling directly or indirectly more than 5% of the Türk Telekomünikasyon A.Ş.'s share capital has not been established by me, my spouses or up to third degree relatives by blood or marriage within the last five years.
2. I have not worked for firms, including audit, rating and consultancy firms (such as Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., an independent audit company, Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., MCKINSEY Danışmanlık Hizmetleri Limited Şirketi), undertaking whole or a certain portion of the Türk Telekomünikasyon A.Ş.'s activities and organization (under a contract such as a partnership contract, management consultancy agreement and etc.), and also have not been appointed as board member to those firms within the last five years,
3. I have not worked for or have not been a shareholder or a board member of a firm which is a significant supplier or service provider to the Türk Telekomünikasyon A.Ş. within the last five years,
4. I do not hold 1% or more shares of Türk Telekomünikasyon A.Ş. nor any privileged shares.
5. I have necessary educational background, information and experience for fulfilling independent director duties,
6. I am a resident in Turkey as per the provisions of the Income Tax Law
7. I have the ethical standards, reputation and experience enabling them to contribute to activities of Türk Telekomünikasyon A.Ş., protect their impartiality with regard to conflict of interest that may arise among shareholders, make independent decisions by taking into account the rights of stakeholders.
8. I have time to follow the requirements of the business activities of Türk Telekomünikasyon A.Ş. and to precisely perform the tasks I have undertaken.

İBRAHİM ŞAHİN

I have been nominated as the board member to be appointed in the Extraordinary General Assembly Meeting of Türk Telekomünikasyon Anonim Şirketi to be to be held on 30 June 2012. Pursuant to Corporate Governance Principles attached to the Communiqué Serial V No: 56 on the Definition and the Enforcement of the Corporate Governance Principles which has been amended by Serial IV No: 57 and Serial IV No: 60, the independent board member nominees are required to submit to the Board of Directors their written declarations stating that they are independent at the time they are nominated. Consequently, according to the Corporate Governance Principles of the Capital Markets Board; I hereby submit to the information of the Audit Committee, the Board of Directors and all concerned parties that;

1. A direct or indirect, employment relationship of an executive position with important duties and responsibilities, shareholding or significant commercial relationship with Türk Telekomünikasyon A.Ş., related parties of Türk Telekomünikasyon A.Ş. or entities related in terms of management or capital to the persons controlling directly or indirectly more than 5% of the Türk Telekomünikasyon A.Ş.'s share capital has not been established by me, my spouses or up to third degree relatives by blood or marriage within the last five years.
2. I have not worked for firms, including audit, rating and consultancy firms (such as Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., an independent audit company, Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., MCKINSEY Danışmanlık Hizmetleri Limited Şirketi), undertaking whole or a certain portion of the Türk Telekomünikasyon A.Ş.'s activities and organization (under a contract such as a partnership contract, management consultancy agreement and etc.), and also have not been appointed as board member to those firms within the last five years,
3. I have not worked for or have not been a shareholder or a board member of a firm which is a significant supplier or service provider to the Türk Telekomünikasyon A.Ş. within the last five years,
4. I do not hold 1% or more shares of Türk Telekomünikasyon A.Ş. nor any privileged shares.
5. I have necessary educational background, information and experience for fulfilling independent director duties,
6. I am a resident in Turkey as per the provisions of the Income Tax Law
7. I have the ethical standards, reputation and experience enabling them to contribute to activities of Türk Telekomünikasyon A.Ş., protect their impartiality with regard to conflict of interest that may arise among shareholders, make independent decisions by taking into account the rights of stakeholders.
8. I have time to follow the requirements of the business activities of Türk Telekomünikasyon A.Ş. and to precisely perform the tasks I have undertaken.

ADNAN ÇELİK

→ STATEMENT OF INDEPENDENCE

I have been nominated for the vacant independent board membership of Türk Telekomünikasyon A.Ş. ("The Company"). Pursuant to Corporate Governance Principles attached to the Communiqué No: II-17.1 on the Corporate Governance;
I declare that;
1. A relationship of an executive position with important duties and responsibilities has not been established by me, my spouses or up to third degree relatives by blood or marriage within the last five years and I do not jointly or separately hold more than 5% of capital or voting right or privileged share or have significant commercial relationship, with Türk Telekomünikasyon A.Ş., associations that Türk Telekomünikasyon A.Ş. holds management control or has significant effect on, and shareholders that hold Türk Telekomünikasyon A.Ş.'s management control or have significant effect on Türk Telekomünikasyon A.Ş. and entities whose management control held by these shareholders,
2. I have not worked in a management position undertaking important duty and responsibilities for firms, particularly audit,(including tax audit, legal audit and internal audit), rating and consultancy firms, firms that Türk Telekomünikasyon A.Ş. purchases or sells goods or services considerably, in the period that goods and services are purchased or sold, and also have not been appointed as board member to those firms within the last five years.
3. I have necessary educational background, information and experience for fulfilling independent board member duties,
4. Pursuant to Income Tax Law No. 193 dated by 31.12.1960, I am a resident in Turkey
5. I have the ethical standards, reputation and experience enabling them to contribute to activities of the Company, protect their impartiality with regard to conflict of interest that may arise among shareholders, make independent decisions by taking into account the rights of stakeholders,
6. I have time to follow the requirements of the business activities of Türk Telekomünikasyon A.Ş. and to precisely perform the tasks I have undertaken,
7. I do not serve as an independent board member in more than three of the Türk Telekomünikasyon A.Ş.'s or the companies whose management control held by shareholders that hold Türk Telekomünikasyon A.Ş.'s management control and also in total more than five of publicly traded companies.
8. I am not registered and announced on behalf of the legal entity elected as Board Member

17.01.2014
İBRAHİM EREN

FINANCIAL INFORMATION

STATEMENT OF RESPONSIBILITY

FINANCIAL TABLES APPROVED BY THE BOARD OF DIRECTORS
RESOLUTION DATED: 04/02/2014
RESOLUTION NO: 8

ANNUAL REPORT APPROVED BY THE BOARD OF DIRECTORS
RESOLUTION DATED: 28.02.2014
RESOLUTION NO: 15

STATEMENT of RESPONSIBILITY AS PER ARTICLE 9 OF THE CAPITAL MARKETS BOARD COMMUNIQUÉ NO: II-14.1
We hereby state that:

a) We have reviewed the Consolidated Financial Tables of our Company for the accounting period ending on 31 December 2013 and the Board of Directors Annual Report for 2013

b) According to information to which we have access as a part of our duties and responsibilities within the Company, the Consolidated Financial Tables and the Annual Report do not contain any material inaccurate disclosures or any shortcomings which may prove to be misleading because of the date of disclosure.

c) According to information to which we have access as a part of our duties and responsibilities within the Company, the Consolidated Financial Tables, which have been prepared in accordance with the Capital Markets Board Communique No: II-14.1, faithfully reflect the assets, liabilities, financial standing and profits and losses of the Company, and the Annual Report faithfully reflects the development and performance of the business and the consolidated financial situation of the Company along with the risks and uncertainties that the Company is facing.
Kind regards,

İbrahim Şahin **İbrahim Eren** **Rami Aslan** **Murat Kırkgöz**

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013 AND INDEPENDENT AUDITORS' REPORT

(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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Güney Bağımsız Denetim ve
SMMM AŞ
Büyükdere Cad.
Beytem Plaza No:20
K:9-10, 34381 – Şişli
İstanbul - Turkey

Tel: +90 212 315 30 00
Fax: +90 212 230 82 91
ey.com

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

Independent auditors' report

To the Shareholders of Türk Telekomünikasyon Anonim Şirketi;

Introduction

We have audited the accompanying consolidated balance sheet of Türk Telekomünikasyon A.Ş. (the Company) and its Subsidiaries as at 31 December 2013 and the related consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

The Company's management is responsible for the preparation and fair presentation of financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and for such internal controls as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud.

Independent auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Our independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments, the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Company and its internal control system. Our independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Türk Telekomünikasyon A.Ş. and its Subsidiaries as at 31 December 2013 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards (Note 2).

Reports on independent auditor responsibilities arising from other regulatory requirements

In accordance with Article 402 of the Turkish Commercial Code, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally, no significant matter has come to our attention that causes us to believe that the Group's bookkeeping activities for the period 1 January – 31 December 2013 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

Pursuant to Article 378 of Turkish Commercial Code no. 6102, Board of Directors of publicly traded companies are required to form an expert committee, and to run and to develop the necessary system for the purposes of: early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and, managing the related risks. According to subparagraph 4, Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by the POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include evaluating the operational efficiency and adequacy of the operations carried out by the management of the Group in order to manage these risks. As of the balance sheet date, POA has not announced the principles of this report yet so, no separate report has been drawn up relating to it. On the other hand, the Group formed the mentioned committee on 23 October 2013 and it comprised of three members. The committee has met once times since its formation to the reporting date for the purposes of early identification of risks that jeopardize the existence of the company and its development, applying the necessary measures and remedies in this regard, and managing the risks, and has submitted the relevant reports to the Board of Directors.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Sinem Arı Öz, SMMM
Partner

4 February 2014
İstanbul, Türkiye

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.1))

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2013
(CURRENCY-IN THOUSANDS OF TURKISH LIRA [TL])

		Current period	Prior period
		Audited	Audited
	Notes	**31 December 2013**	31 December 2012
Assets			
Current assets		**4.849.061**	4.366.561
Cash and cash equivalents	6	**1.063.711**	960.788
Trade receivables			
- Due from related parties	10	**35.927**	13.403
- Trade receivables from third parties	8	**3.091.606**	2.615.467
Other receivables			
- Other receivables from third parties	12	**109.712**	138.323
Derivative financial instruments	18	**275**	--
Inventories	13	**87.029**	128.107
Prepaid expenses	16	**246.137**	241.289
Current tax related assets		**3.614**	5.155
Other current assets	15	**164.303**	242.084
		4.802.314	4.344.616
Asset held for sale	20	**46.747**	21.945
Non-current assets		**13.395.454**	12.841.289
Financial investments	17	**11.840**	11.840
Trade receivables			
- Trade receivables from third parties	8	**34.275**	31.012
Other receivables			
- Other receivables from third parties	12	**43.273**	28.143
Derivative financial instruments	18	**59.786**	3.226
Investment property	21	**20.230**	30.630
Property, plant and equipment	22	**8.329.666**	8.315.882
Intangible assets			
-Goodwill	19	**48.734**	48.734
-Other intangible assets	23	**4.536.495**	4.050.250
Prepaid expenses	16	**27.792**	24.282
Deferred tax asset	14	**264.503**	262.531
Other non-current assets	15	**18.860**	34.759
Total assets		**18.244.515**	17.207.850

The accompanying policies and explanatory notes on pages 146 through 223 form an integral part of these consolidated financial statements.

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.1))

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2013

(CURRENCY-IN THOUSANDS OF TURKISH LIRA [TL])

	Notes	Current period Audited 31 December 2013	Prior period Audited 31 December 2012
Liabilities			
Current liabilities		**5.052.639**	4.196.847
Financial liabilities			
- Bank borrowings	7	**55.129**	284.766
Short term portion of long term financial liabilities			
- Bank borrowings	7	**2.195.902**	1.056.928
- Obligations under finance leases	9	**9.743**	7.125
Trade payables			
- Due to related parties	10	**9.881**	7.603
- Trade payables to third parties	8	**1.737.748**	1.637.506
Employee benefit obligations	15	**105.470**	74.155
Other payables			
- Other payables to third parties	12	**459.638**	447.198
Derivative financial instruments	18	**8.670**	5.754
Deferred revenue	16	**125.930**	120.233
Income tax payable	34	**55.218**	125.405
Provisions			
-Short term provisions for employee benefits	24	**829**	91.022
-Other short term provisions	24	**233.938**	241.013
Other current liabilities	15	**54.543**	98.139
Non-current liabilities		**7.864.267**	6.555.855
Financial liabilities			
- Bank borrowings	7	**6.055.348**	4.668.350
- Obligations under finance leases	9	**17.386**	20.625
Other financial liabilities			
- Minority put option liability	11	**483.946**	467.561
Trade payables			
- Trade payables to third parties	8	**--**	16.394
Other payables			
- Other payables to third parties	12	**8.047**	8.956
Derivative financial instruments	18	**15.995**	33.177
Deferred revenue	16	**270.913**	236.282
Provisions			
-Provisions for employee termination benefits	24	**585.394**	749.489
-Long term provisions for employee benefits excluding employee termination	24	**64.378**	91.435
-Other long-term provisions	24	**8.105**	8.783
Deferred tax liability	14	**354.755**	254.803
Equity		**5.327.609**	6.455.148
Equity attributable to parent			
Paid-in share capital	25	**3.500.000**	3.500.000
Inflation adjustments to paid in capital (-)	25	**(239.752)**	(239.752)
Other comprehensive income/expense not to be reclassified to profit or loss			
-Minority put option liability reserve	25	**(232.807)**	(180.715)
-Difference arising from the change in shareholding rate in a subsidiary	25	**(858.134)**	(858.134)
-Actuarial loss arising from employee benefits	25	**(366.997)**	(340.679)
-Share based payment reserve	25,26	**9.528**	9.528
-Hedging loss	25	**(23.570)**	(57.923)
-Currency translation reserve	25	**58.105**	31.353
Restricted reserves allocated from profits		**2.049.085**	1.825.257
Retained earnings		**129.106**	129.106
Net income for the year		**1.303.045**	2.637.107
Total liabilities and equity		**18.244.515**	17.207.850

The accompanying policies and explanatory notes on pages 146 through 223 form an integral part of these consolidated financial statements.

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.1))

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013
(CURRENCY-IN THOUSANDS OF TURKISH LIRA [TL])

	Notes	**Current Period Audited 1 January 2013- 31 December 2013**	Prior Period Audited 1 January 2012- 31 December 2012
Sales	5	**13.189.966**	12.706.142
Cost of sales (-)	5,29	**(6.834.646)**	(6.261.316)
Gross profit		**6.355.320**	6.444.826
General administrative expenses (-)	5,29	**(1.572.310)**	(1.503.956)
Marketing, sales and distribution expenses (-)	5,29	**(1.729.423)**	(1.663.362)
Research and development expenses (-)	5,29	**(38.934)**	(31.177)
Other operating income	5,31	**397.649**	465.828
Other operating expense (-)	5,31	**(380.756)**	(373.851)
Operating profit		**3.031.546**	3.338.308
Income from investing activities	5,32	**225.757**	184.385
Expense from investing activities (-)	5,32	**(10.903)**	(12.133)
Operating profit before financial expenses		**3.246.400**	3.510.560
Financial income	33	**555.737**	534.661
Financial expense (-)	33	**(2.095.554)**	(678.819)
Profit before tax		**1.706.583**	3.366.402
Tax expense			
- Current tax expense	34	**(352.281)**	(761.237)
- Deferred tax income/ (expense)	14,34	**(87.204)**	(12.035)
Profit for the year		**1.267.098**	2.593.130
Attribution of period income			
Non-controlling interest	25	**(35.947)**	(43.977)
Attributable to equity holders of the parent		**1.303.045**	2.637.107
Earnings per shares attributable to equity holders of the parent from (in full Kuruş)	25	**0,3723**	0,7535
Earnings per diluted shares attributable to equity holders of the parent from (in full Kuruş)	25	**0,3723**	0,7535

The accompanying policies and explanatory notes on pages 146 through 223 form an integral part of these consolidated financial statements.

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.1))

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

(CURRENCY-IN THOUSANDS OF TURKISH LIRA [TL])

	Notes	**Current Period Audited 1 January 2013- 31 December 2013**	Prior Period Audited 1 January 2012- 31 December 2012
Profit for the year		**1.267.098**	2.593.130
Other comprehensive income:			
Items not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain/(loss)	24	**(32.957)**	(109.173)
Tax effect of actuarial loss from employee benefits		**6.686**	20.822
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Change in currency translation differences		**26.752**	(9.478)
Fair value loss on hedging instruments transferred to consolidated income statement	18	**2.201**	13.220
Change in fair value of hedging instrument	18	**91.426**	(31.872)
Tax effect of hedging instrument	18	**(18.340)**	6.635
Hedge of net investment in a foreign operation	18	**(50.926)**	10.410
Tax effect of hedge of net investment in a foreign operation	18	**10.185**	(2.082)
Other comrehensive income (after tax)		**35.027**	(101.518)
Total comprehensive income		**1.302.125**	2.491.612
Appropriation of total comprehensive income:			
Non-controlling interest		**(35.707)**	(42.490)
Attributable to equity holders of the parent		**1.337.832**	2.534.102

The accompanying policies and explanatory notes on pages 146 through 223 form an integral part of these consolidated financial statements.

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.1))

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013
(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					
	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 loss arising from employee benefits	Reserve for hedge of net investment in a foreign operation	Cash flow hedge reserve	Currency translation reserve	Restricted reserves allocated from profits	Retained earnings	Net income for the year	Total equity attributable to parent	Non-controlling interest	Total equity
Balance as at 1 January 2012	3.500.000	(239.752)	(779.383)	9.528	(308.634)	(252.745)	(37.976)	(13.386)	40.831	1.653.106	129.106	2.068.676	5.769.371	--	5.769.371
Net profit for the period	--	--	--	--	--	--	--	--	--	--	--	2.637.107	2.637.107	(43.977)	2.593.130
Other comprehensive income/(loss)	--	--	--	--	--	(87.851)	8.327	(14.003)	(9.478)	--	--	--	(103.005)	1.487	(101.518)
Total comprehensive income	--	--	--	--	--	(87.851)	8.327	(14.003)	(9.478)	--	--	2.637.107	2.534.102	(42.490)	2.491.612
Transfer to retained earnings	--	--	--	--	--	--	--	--	--	172.151	--	(172.151)	--	--	--
Non-controlling interest before classification to minority put option liability	--	--	--	--	--	--	--	--	--	--	--	--	--	(221.133)	(221.133)
Minority put option liability (Note 11)	--	--	598.668	--	--	--	--	--	--	--	--	--	598.668	(286.845)	311.823
Difference due to the change in shareholding rate in a subsidiary	--	--	--	--	(549.500)	(83)	--	(885)	--	--	--	--	(550.468)	550.468	--
Dividend paid	--	--	--	--	--	--	--	--	--	--	--	(1.896.525)	(1.896.525)	--	(1.896.525)
Balance as at 31 December 2012	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
Balance as 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	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**1.303.045**	**1.303.045**	**(35.947)**	**1.267.098**
Other comprehensive income/(loss)	**--**	**--**	**--**	**--**	**--**	**(26.318)**	**(40.741)**	**75.094**	**26.752**	**--**	**--**	**--**	**34.787**	**240**	**35.027**
Total comprehensive income	**--**	**--**	**--**	**--**	**--**	**(26.318)**	**(40.741)**	**75.094**	**26.752**	**--**	**--**	**1.303.045**	**1.337.832**	**(35.707)**	**1.302.125**
Transfer to retained earnings	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**223.828**	**--**	**(223.828)**	**--**	**--**	**--**
Non-controlling interest before classification to minority put option liability	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**286.845**	**286.845**
Minority put option liability (Note 11)	**--**	**--**	**(52.092)**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**(52.092)**	**(251.138)**	**(303.230)**
Dividend paid	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**(2.413.279)**	**(2.413.279)**	**--**	**(2.413.279)**
Balance as at 31 December 2013	**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**

The accompanying policies and explanatory notes on pages 146 through 223 form an integral part of these consolidated financial statements.

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.1))

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLİDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

(CURRENCY-IN THOUSANDS OF TURKISH LIRA [TL])

	Notes	Current Period Audited 1 January 2013-31 December 2013	Prior Period Audited 1 January 2012-31 December 2012
Net Profit		**1.267.098**	2.593.130
Adjustments to reconcile net profit to cash provided by operating activities:			
Depreciation and amortisation expenses	30	**1.779.544**	1.670.880
Impairment		**--**	25.772
Tax income/expense		**439.485**	773.272
Gain/(loss) on sale of property, plant and equipment	32	**(214.854)**	(172.252)
IFRIC 12 construction (revenue)/cost, net		**(53.229)**	(65.802)
Interest income and (expense), net		**108.118**	130.572
Unrealised foreign currency exchange differences		**1.209.988**	(170.216)
Reversal of doubtful receivables	8,12	**(204.538)**	(189.410)
Allowance for doubtful receivables	8,12	**330.644**	203.582
Provision for employee termination benefits	24	**98.582**	93.330
Curtailment and settlement gain		**--**	349
Change in litigation provision, net	24	**57.685**	121.712
Change in unused vacation provision	24	**(9.397)**	12.151
Loss/(gain) on derivative financial instruments, net		**26.263**	11.820
Obsolete inventory provision/(reversal), net		**(1.691)**	(7.818)
Other provisions		**(2.773)**	(2.735)
Operating profit before working capital changes		**4.830.925**	5.028.337
Net working capital changes in:			
Adjustments to Trade receivables		**(593.408)**	(209.805)
Other current assets		**99.076**	10.469
Adjustments to (increase)/decrease in inventories		**41.078**	(21.501)
Adjustments to increase/(decrese) in trade payables		**138.869**	(259.699)
Other non-current assets		**(2.585)**	(51.361)
Other current liabilities and provisions		**(90.586)**	(283.543)
Other non-current liabilities		**(29.373)**	(6.511)
Restricted cash		**147.442**	238.305
Cash flow from operating activities			
Payments of employee termination benefits	24	**(295.859)**	(15.940)
Payments of provisions	24	**(84.060)**	(41.266)
Payments of tax		**(415.896)**	(808.789)
Interest received		**138.637**	160.377
Net cash provided by operating activities		**3.884.260**	3.739.073
Investing activities			
Proceeds from sale of property, plant, equipment and intangible assets		**307.498**	171.800
Purchase of property, plant, equipment and intangible assets	22,23	**(2.293.168)**	(2.347.577)
Net cash used in investing activities		**(1.985.670)**	(2.175.777)
Cash flows from financing activities			
Proceeds from bank borrowings		**19.098.291**	26.517.104
Repayment of bank borrowings		**(18.103.698)**	(25.657.102)
Repayment of obligations under finance leases		**(7.339)**	(6.513)
Interest paid		**(270.874)**	(309.752)
Dividends paid	25	**(2.413.279)**	(1.896.525)
Derivative instrument payments		**(10.098)**	(29.365)
Interest received		**48.022**	43.782
Net cash used in financing activities		**(1.658.975)**	(1.338.371)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		**239.615**	224.925
FOREIGN EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE BEGINNING OF THE PERIOD		**10.750**	(4.508)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**447.012**	226.595
Cash and cash equivalents at the end of the year	6	**697.377**	447.012

The accompanying policies and explanatory notes on pages 146 through 223 form an integral part of these consolidated financial statements.

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. All of the personnel, assets and obligations of the PTT pertaining to telecommunication services were transferred to the Company, the shares of which were fully owned by the Prime Ministry Under secretariat of Treasury ("the Treasury").

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

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

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

As at 31 December 2013 and 31 December 2012, the ultimate parent and controlling party of the Company is Saudi Oger Ltd ("Saudi Oger"), because of its controlling ownership in Oger Telecom.

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

(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 31 December 2013 and 31 December 2012 are as follows:

				Effective ownership Of the Company (%)	
Name of Subsidiary	Place of incorporation and operation	Principal activity	Functional Currency	**31 December 2013**	31 December 2012
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**	100
SOBEE Yazılım Ticaret Limited Şirketi("Sobee") (**)	Turkey	Software gaming services	Turkish Lira	**-**	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 AG ("TTINT Austria") (*)	Austria	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	100
Türk Telekom International Hungary Kft ("TTINT Hungary")(*)	Hungary	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	100
S.C. Euroweb Romania S.A. ("TTINT Romania")(*)	Romania	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	100
Türk Telekom International Bulgaria EODD ("TTlNT 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
TTINT Telcomd.o.o Beograd ("TTINT Serbia ")(*)	Serbia	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	100
TTINT Telcomunikacijed.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 Telekomunikasyon 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 Italia S.R.L. ("TTINT Italia)(*)	Italy	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	100
TTINT International DOOEL Skopje ("TTINT Macedonia")(*)	Macedonia	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	100
Türk Telekom International LLC ("TTINT Russia")(*)	Russia	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	100
Türk Telekomunikasyon Euro Gmbh. ("TT Euro")(*)	Germany	Mobil service marketing	Euro	**100**	100
Pan Telekom D.O.O. ("TTINT Croatia")(*)	Croatia	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	100
Net Ekran TV ve MedyaHiz. 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 Telekomünikasyon Hizmetleri A.Ş.	Turkey	Mobile finance	Turkish Lira	**100**	-

(*) Hereinafter, will be referred as TTINT Group.
(**) Merged with TTNET as of 13 May 2013.

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 Aydınlıkevler, Ankara.

The numbers of personnel of the Group as at 31 December 2013 and 31 December 2012 have been disclosed in Note 24.

Consolidated financial statements were approved by the Board of Directors of the Company and authorized for issue on 4 February 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 consolidated financial statements are stated below:

2.1 Basis of presentation of the consolidated financial statements

The consolidated financial statements and disclosures have been prepared in accordance with Turkish Accounting Standards/ Turkish Financial Reporting Standards (TAS/TFRS) 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 POA.

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

The consolidated financial statements have been prepared on the historical cost basis except for the property, plant and equipment and investment property acquisitions prior to 1 January 2000 for which the deemed cost method was applied in accordance with TAS 29 "Financial Reporting in Hyperinflationary Economies", derivative financial instruments and minority put option liability which have been reflected at their fair values. Investment properties and tangible assets which are recognized with deemed cost method are valued with fair values as of 1 January 2000, minority put option liabilities and derivative financial liabilities are valued with fair values as of balance sheet date.

In order to prepare financial statements in accordance with TFRS, certain assumptions affecting notes to the financial statements and critical accounting estimations related to assets, liabilities, contingent assets and contingent liabilities are required to be used. Although these estimations are made upon the best afford of the Management by interpreting the cyclical circumstances, actual results may differ from the forecasts. Issues that are complex and needs further interpretation, which might have a critical impact on financial statements, are disclosed in Note 4.

Additional paragraph for convenience translation to English:

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

2. Basis of presentation financial statements (continued)

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

Classifications applied to financial statements as of 31 December 2012

Based on the decision taken on 7 June 2013 by the CMB at its meeting numbered 20/670, a new illustrative financial statement and guidance to it has been issued effective from the interim periods ended after 31 March 2013, which is applicable for the companies that are subject to Communiqué on the Principles of Financial Reporting in Capital Markets. Based on these new illustrative financial statements, a number of changes made at the Group's consolidated financial statements.

The reclassifications that are made at the Group's consolidated balance sheet as at 31 December 2012 are as:

- prepaid expenses amounting to TL 218.200 and advances given for fixed assets and inventories amounting to TL 23.089 previously disclosed in other current assets are reclassified to prepaid expenses account on the balance sheet,
- TL 74.155 and TL 2.580 which are previously presented under other trade payables to third parties reclassified to employee benefit obligations and provision for short term employee benefits accounts, respectively
- income accruals amounted to TL 502.882 is reclassified from other current assets to trade receivables from third parties account,
- prepaid taxes amounted to TL 5.155 is reclassified from other current assets to current tax related assets account,
- expense accruals amounted to TL 387.015 out of TL 475.457 of total expense accruals that was presented under other current liabilities is reclassified to other trade payables to third parties and the remaining amount of TL 88.442 is reclassified to provision for short term employee benefits accounts, respectively.
- prepaid expenses amounted to TL 24.282 is reclassified from other non-current assets to prepaid expenses account,
- deferred revenues amounted to TL 79.854 and TL 40.379 out of TL 86.798 of total advances that was previously disclosed in other current liabilities account, are reclassified to current deferred revenue account and the remaining amount of advances at the amount of TL 46.419 is reclassified to other short-term provision on the balance sheet,
- customer returns liability amounted to TL 5.388 previously disclosed in other payables to third parties are reclassified to other short-term provisions account,
- Information and Communication Technologies Authority (ICTA) share accruals, treasury share accruals and universal services fund accruals amounting to TL 204.680 previously disclosed in other current liabilities account, are reclassified to other payables to third parties
- deferred revenues amounted to TL 158.717 and advances amounted to TL 77.564 previously disclosed in other non-current liabilities account, are reclassified to non-current deferred revenue account on the balance sheet,

The reclassifications that are made at the Group's consolidated income statement for the year ended 31 December 2012 are as:

- foreign exchange gains, interest income, discount income on current accounts amounting to TL 337.816 is reclassified from financial income to other operating income account,
- foreign exchange losses, interest expense, discount expense on current accounts amounting to TL 226.988 is reclassified from financial expense to other operating expenses account,
- profit on sale of fixed assets amounted to TL 184.385 previously disclosed in other operating income account is reclassified to income from investing activities.
- loss on sale of fixed assets amounted to TL 12.133 previously disclosed in other operating expense account is reclassified to expense from investing activities.
- income from reversal of doubtful receivable amounting to TL 4.625 previously disclosed in other operating income is reclassified to general administrative expenses account.

Besides, the below reclassifications are made at the Group's consolidated balance sheet:

- TL 214 of STC payable has been reclassified from trade payables to third parties to due to related parties account,
- TL 7.630 of STC receivable has been reclassified from trade receivable from third parties to due from related parties account,

As a result of amendment in the Group's cost structure, amounts of (TL 159.241), TL 201.564, (TL 42.323) for the year ended 31 December 2012 are reclassified between cost of sales, marketing, sales and distribution, general administration expenses, respectively

2. Basis of presentation financial statements (continued)

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

Classifications applied to financial statements as of 31 December 2012 (continued)

Interest income from deposits amounting to TL 43.782 of total interest income amounting to TL 204.159, which was presented as interests received from investing activities at the cash flow statement for the year end 31 December 2012, is classified to net cash used in financing activities; interest received from customers amounting TL 160.377, however, is classified to net cash from operating activities.

As of 31 December 2012, vacation pay liability amounting to TL 91.435 presented in short term provisions has been reclassified to long term provisions for employee benefits due to amendments in TAS 19 “Employee Benefits” which has been effective as of 1 January 2013. According to revised TAS 19, the short term benefits provided to employees comprise the ones which are expected to be settled wholly in twelve months after the end of the reporting period. Regarding this issue, the Group’s expectation is not to settle the whole vacation pay liability within twelve months after the end of the reporting period, so the related vacation pay liabilities has been reclassified as other long-term employee benefits and the necessary reclassifications on the previous period financial statements has been made by the Group.

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2013 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 2013. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at 1 January 2013 are as follows:

TFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendment)

The amendment requires the disclosure of the rights of the entity relating to the offsetting of the financial instruments and some information about the related regulations (e.g., collateral agreements).
New disclosures would provide users of financial statements with information that is useful in

i) evaluating the effect or potential effect of netting arrangements on an entity’s financial position and,
ii) analyzing and comparing financial statements prepared in accordance with TFRSs and other generally accepted accounting standards.

New disclosures have to be provided for all the financial instruments in the balance sheet that have been offset according to TAS 32. Such disclosures are applicable to financial instruments in the balance sheet that have not been offset according to TAS 32 but are available for offsetting according to main applicable offsetting regulations or other financial instruments that are subject to a similar agreement. The amendment affects disclosures only and did not have any impact on the consolidated financial statements of the Group.

TAS 1 Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income

The amendments to TAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or ‘recycled’) to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendment affects presentation only and did not have an impact on the financial position or performance of the Group.

TAS 19 Employee Benefits (Amended)

Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism, for determined benefit plans recognizing actuarial gain under other comprehensive income and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. Since the Group recognizes the actuarial gain and loss in the other comprehensive income statement, the amendment of the standard with regards to the accounting of actuarial gain/loss did not have any impact on the financial position or performance of the Group. However based on the amendment in the presentation of short term employee benefits, vacation pay liability formerly presented in the short term provisions has been retrospectively reclassified to long term provisions and calculated based on actuarial method.

2. Basis of presentation financial statements (continued)

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

TAS 27 Separate Financial Statements (Amended)

As a consequential amendment to TFRS 10 and TFRS 12, the POA also amended TAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. This amendment did not have an impact on the financial position or performance of the Group.

TAS 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to TFRS 11 and TFRS 12, the POA also amended TAS 28, which has been renamed as TAS 28 Investments in Associates and Joint Ventures. This amendment did not have an impact on the financial position or performance of the Group.

TFRS 10 Consolidated Financial Statements

TFRS10, TAS 27 Consolidated and Separate Financial Statements address the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This amendment did not have an impact on the financial position or performance of the Group.

TFRS 11 Joint Arrangements

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This standard did not have an impact on the financial position or performance of the Group.

TFRS 12 Disclosure of Interests in Other Entities

TFRS 12 requires disclosures about an entity's interests in associates, joint ventures, subsidiaries and structured entities. Disclosures required within the scope of TFRS 12 are more extensive than those provided within the scope of TAS 27; however, since the Group does not incorporate structured entities and the only non-controlling interest belongs to Avea, the disclosures provided within the scope of TRFS 12 are limited with the disclosure in Note 25.

TFRS 13 Fair Value Measurement

The new standard provides guidance on how to measure fair value under TFRS but does not change when an entity is required to use fair value. It is a single source of guidance under TFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. These disclosures have been presented in Note 35. This standard did not have a material impact on the fair value measurements of the Group.

TFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. This interpretation is not applicable for the Group and did not have any impact on the financial position or performance of the Group.

Transition Guidance (Amendments to TFRS 10, TFRS 11 and TFRS 12)

The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as 'the beginning of the annual reporting period in which TFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between TFRS 10 and TAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons TFRS 11 and TFRS 12 has also been amended to provide transition relief. These amendments did not have an impact on the consolidated financial statements of the Group.

2. Basis of presentation financial statements (continued)

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

Improvements to TFRSs

Annual Improvements to TFRSs – 2009 – 2011 cycle, which contains amendments to its standards, is effective for annual periods beginning on or after 1 January 2013. This project did not have an impact on the financial position or performance of the Group.

TAS 1 Financial Statement Presentation:
Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

TAS 16 Property, Plant and Equipment:
Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory

TAS 32 Financial Instruments: Presentation:
Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with TAS 12 Income Taxes. The amendment removes existing income tax requirements from TAS 32 and requires entities to apply the requirements in TAS 12 to any income tax arising from distributions to equity holders.

TAS 34 Interim Financial Reporting:
Clarifies the requirements in TAS 34 relating to segment information for total assets and liabilities for each reportable segment. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

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.

TAS 32 Financial Instruments: Presentation-Offsetting Financial Assets and Financial liabilities (Amended)

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. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

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 amendment on 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 is effective for annual periods beginning on or after 1 January 2014, with early application permitted. Retrospective application of this interpretation is required. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

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

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. 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 10 Consolidated Financial Statements (Amendment)

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

IAS 36 Impairment of Assets-Recoverable Amount Disclosures for Non-Financial assets (Amendment)

The IASB, as a consequential amendment to IFRS 13 Fair Value Measurement, modified some of the disclosure requirements in IAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets. 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 amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. The amendment has affected to disclosure principles. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

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

In June 2013, the IASB issued amendments to IAS 39 Financial Instruments: Recognition and Measurement that 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 are to be applied retrospectively for annual periods beginning on or after 1 January 2014.The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

IFRS 9 Financial Instruments – Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 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. The standard does not have a mandatory effective date, but it is available for application now; a new mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial instruments. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

Improvements to IFRSs

In December 2013, the IASB issued two cycles of Annual Improvements to IFRSs – 2010–2012 Cycle and IFRSs – 2011–2013 Cycle. Other than the amendments that only affect the standards' Basis for Conclusions, the changes are effective as of 1 July 2014. Earlier application is permitted.

Annual Improvements to IFRSs – 2010–2012 Cycle

IFRS 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 amendment is effective prospectively.

2. Basis of presentation financial statements (continued)

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

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

IFRS 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 IFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

IFRS 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 are effective retrospectively.

IFRS 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 amendment is effective immediately.

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

The amendment to IAS 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 amendment is effective retrospectively.

IAS 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 amendment is effective retrospectively.

Annual Improvements to IFRSs – 2011–2013 Cycle

IFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of IFRS 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.

IFRS 13 Fair Value Measurement

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

IAS 40 Investment Property

The amendment clarifies the interrelationship of IFRS 3 and IAS 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.

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.

2. Basis of presentation financial statements (continued)

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

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.

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.

2.2 Basis of consolidation

As at 31 December 2013, the consolidated financial statements include the financial results of Türk Telekom and its subsidiaries that are listed at Note 1. Control is normally evidenced when the Company controls an investee if and only if the company has all the following; a) power over the investee b) exposure, or rights, to variable returns from its involvement in the investee and c) the ability to use its power over the investee to affect the amount of company's returns. The results of subsidiaries acquired during the year are included in the consolidated statements of income from the effective date of acquisition as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by 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.

2. Basis of presentation financial statements (continued)

2.2 Basis of consolidation (continued)

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 A.Ş. (İş Bank) and the companies controlled by İş Bankası (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 ''long term liabilities' after appropriation to the non-controlling interest of its share of recognized income and expense for the year. 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 11).

3. Valuation basis and significant accounting policies applied

Business combinations

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

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquirer. The consideration transferred is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, the liabilities incurred by the Group to former owners of the entity and the equity interests issued by the Group. When the agreement with the seller includes a clause that the consideration transferred could be adjusted for future events, the acquisition-date fair value of this contingent consideration is included in the cost of the acquisition. All transaction costs incurred by the Group have been recognized in general administrative expenses. For each business combination, the Group elects whether it measures the non-controlling interest in the acquirer either at fair value or at the proportionate share of the acquirer's identifiable net assets.

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

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

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

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the aggregate of the consideration transferred measured at fair value at the date of acquisition and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed at fair value in accordance with IFRS 3 on the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Whenever the carrying amount exceeds the recoverable amount, an impairment loss is recognized in the consolidated income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the acquisition, irrespective of whether other assets or liabilities are assigned to these units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

3. Valuation basis and significant accounting policies applied (continued)

Goodwill (continued)

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

Investment in an associate

As of 31 December 2013 and 2012, the Group accounted its 20% shareholding in Cetel Telekom İletişim Sanayi ve Ticaret Anonim Şirketi (Cetel) as financial investments in the consolidated financial statements. As of 31 December 2013 and 2012, Cetel is carried at cost after deducting impairment, if any, because the Company does not have significant influence at Cetel. The Company cannot obtain the financial information necessary for equity accounting and cannot influence Cetel with this regard. Accordingly, the Company believes that it does not have significant influence on Cetel.

Property, plant and equipment

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

Expenditures incurred after the PPE has been put into operation, such as repairs and maintenance, are normally charged to income statement in the year the costs are incurred. The Group recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if the recognition criteria are met.

Depreciation is charged other than land and construction in progress, over their estimated useful economic lives using the straight-line method.

The useful lives for PPE are as follows:

	Years (*)
Buildings	21-25 years
Outside plant	5-21 years
Transmission equipment	5-21 years
Switching equipment	5-8 years
Data networks	3-10 years
Vehicles	5 years
Furniture and fixtures	3-5 years
Other property, plant and equipment	2-8 years

(*) The remaining useful lives of the PPE are limited to the concession periods. Considering the Concession Agreement useful lives of purchases made in 2013 are limited to 13 years.

3. Valuation basis and significant accounting policies applied (continued)

Property, plant and equipment (continued)

Assets held under finance leases are depreciated over their expected useful economic lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of PPE is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated income statement.

Revenue sharing projects

Payments are made to contractors, as consideration for property, plant and equipment investments under revenue sharing projects, based on a percentage of revenues generated once the project has been completed and taken into operations and up to an agreed upon level. Revenue sharing projects are accounted for using a method similar to a finance lease, where assets are recognized as assets of the Group at their fair value at the time the project is completed and put in operation or, if lower, at the present value of the minimum payments. The corresponding liability is included in the balance sheet as an obligation. Payments are apportioned between finance charges, maintenance expense where material, and reduction of the obligation so as to achieve a constant rate of interest on the remaining balances of the liability. Finance expenses are recognized in the consolidated income statement.

Investment property

Investment properties, which are properties held to earn rent and/or for capital appreciation are measured initially at cost, including transaction costs and subsequent to initial recognition, investment properties, are stated at their cost less accumulated depreciation and any accumulated impairment losses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. The Group decided to measure investment property on a deemed cost basis in the first period of application of IAS 29, since detailed records of the acquisition date and costs of items of investment property were not available prior to 1 January 2000 and restated these deemed cost basis for the effects of inflation until 31 December 2004.

In case the usage purpose of properties is amended, it occurs transferring between the account groups of investment properties and property, plant and equipment. When investment properties are disposed, the difference between sales revenue and the carrying amount is charged to the consolidated income statement.

Professional assessments of the 1 January 2000 market values were conducted by CMB licensed independent real-estate appraisers. Following initial recognition, investment properties are carried at cost less any accumulated amortization and any accumulated impairment losses.

Depreciation is charged other than land, over their estimated useful economic lives, using the straight-line method. The useful lives of buildings that are owned by the Group range between 15-50 years (considering the Concession Agreement, 2013 acquisitions' useful lives are limited to 13 years).

Non-current assets held for sale

The Group classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or the group of assets held for sale) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable management must be committed to a plan to sell the asset (or the group of assets held for sale) and an active program to set the buyers and complete the plan must have been initiated. Furthermore, the asset (or the group of assets held for sale) must be actively marketed for sale at a price that is reasonable in relation to its fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

In case the period to complete sale of assets is extended due to circumstances which are not under the control of the Group, the assets will continue to be classified as assets held for sale provided that the Group has still an active sales program.

The Group measures assets held for sale at the lower of its carrying amount and fair value less costs to sell. When the sale is expected to occur beyond one year, the Group determines the net present value of the selling price. Any increase in the present value arises from the passage of time is presented in the consolidated income statement as a finance cost. The Group does not depreciate a non-current asset when it is classified as held for sale and the gain or loss arising from the sale of the assets is classified at income/expense from investing activities accounts.

3. Valuation basis and significant accounting policies applied (continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is charged to the consolidated income statement in the year in when the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or infinite. The Group does not have any intangibles with infinite useful lives. Intangible assets with finite lives are amortized on a straight line basis over the shorter of their useful economic lives or remaining concession period. Whenever there is an indication that the intangible asset may be impaired it is assessed for impairment.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed each financial year end at least. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated income statement. The amortization periods for intangible assets are between 3 and 20 years. The remaining useful lives of the intangible items are limited to the concession periods. Considering the Concession Agreement, the useful lives of 2013 acquisitions are limited to 13 years.

Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual project is recognized as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Impairment test is performed periodically in order to identify whether there is any impairment in the development stage. After initial recognition, development costs are recognized at cost less amortization and impairment. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Periodic impairment tests are applied to the assets in order to foresee any probable impairment on the assets in the period that they are not ready for utilization yet.

Impairment of property, plant and equipment and intangible assets excluding goodwill

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

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Inventories

Inventories are recognized at the lower of cost and net realizable value. Costs comprise purchase cost and, where applicable and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

3. Valuation basis and significant accounting policies applied (continued)

Inventories (continued)

Net realizable value is the estimated selling price in the ordinary course of business, less marketing, selling and other various expenses to be incurred in order to realize sale.

Financial instruments

Financial assets consist of cash and cash equivalents, trade receivables, financial assets, other receivables, derivative financial assets and receivable from related parties. Financial liabilities consist of trade payables, due to related parties, derivative financial liabilities, and other payables.

Financial assets and financial liabilities are recognized on the Group balance sheet when the Group becomes a party to the contractual provisions of the instrument.

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments where their original maturities are three months or less, that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other payables

Trade receivables are recognized at original invoice amount however subsequently they are carried at original invoice amount less permanent impairment. Subsequent to initial recognition, trade receivables are measured at discounted cost. None interest rate bearing short term receivables are measured at original invoice amount unless the effect of discounted amount is significant.

Trade and other payables are initially measured at fair value. None interest rate bearing short term payables are measured at original invoice amount unless the effect of imputing interest is significant.

Financial borrowings

Interest-bearing financial borrowings are initially measured at the fair value of the consideration received, less directly attributable costs and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings through the amortization process, using the effective interest rate method as explained above.

Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

3. Valuation basis and significant accounting policies applied (continued)

Financial instruments (continued)

Derivative financial instruments

The Group uses derivative financial instruments to hedge its interest rate and foreign currency risk exposures arising from its long term borrowings. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to profit or loss.

The fair value of option contracts is calculated by reference to current option rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market value for similar instruments.

For the purpose of hedge accounting, hedges are classified as; cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company assesses the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. It is expected that hedge transaction is to be effective in stabilize changes between changes in fair value or cash flow. During all financial reporting periods in which it is defined, hedge transaction is evaluated continuously for identification of effectiveness and it is expected to be consistent with documented risk management strategy.

Cash flow hedges

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

The effective portion of the gain or loss on the hedging instrument is recognized directly in consolidated statement of comprehensive income, while any ineffective portion is recognized immediately in the consolidated income statement at financial income and expense accounts.

Amounts taken to the consolidated statement of comprehensive income are transferred to the consolidated income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs.

If the forecast transaction or commitment is no longer expected to occur, amounts previously recognized in the consolidated statement of other comprehensive income are transferred to consolidated income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issuance costs.

3. Valuation basis and significant accounting policies applied (continued)

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a company of similar financial assets) is derecognized where the rights to receive cash flows from the asset have expired, the Group retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement or the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated income statement.

Impairment of financial assets

At each balance sheet date, The Group assesses whether a financial asset or group of financial assets is impaired. When an objective evidence exists which represents that an impairment loss occurred in the receivables and loans stated as its amortized cost or the investments held until their maturity, amount of the loss has been determined as the difference between the current value calculated by discounting the estimated cash flows (excluding unrealized loan losses in the future) in the future based on the original interest rate (the effective interest rate calculated when initial accounting occurred) of the financial asset and the carrying value. Carrying value of the asset is decreased directly or by using a provision account. The related loss amount is recognized in income statement.

In the subsequent term, if the impairment loss decreases and the related decrease is objectively associated with a case (such as improvement at the credit rate of the obligator) occurred after the impairment loss has been recognized/accounted, the recognized impairment loss has been reversed directly or by using a provision account. The reverse cannot cause carrying value of the related financial asset to be higher than the amortized value which arised as at date of the reverse of impairment if the impairment is not recognized/accounted. The reversed amount is recognized/accounted in income statement.

Reserve is provided for the overdue uncollectible receivables. Also portfolio reserve is provided for the not due receivables based on certain criteria. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Related Parties

Parties are considered related to the Company if;

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

- (i) The entity and the company are members of the same group.

3. Valuation basis and significant accounting policies applied (continued)

Related Parties (continued)

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

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Long-term employee benefits

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

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

a) The date of the change or reduction in the plan, and
b) The date of the recognition of the related restructuring costs (see: TAS 37) or the benefits deriving from the termination of the employment contract,

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

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Contingent assets and liabilities

Possible assets or obligations that arise from past events and which existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are treated as contingent assets or liabilities.

A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. If the possibility of transfer of assets is probable, contingent liability is recognized in the financial statements. A contingent asset is disclosed, when an inflow of economic benefits is highly probable.

3. Valuation basis and significant accounting policies applied (continued)

Taxation and deferred income taxes

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination and goodwill) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The Company and the other consolidated subsidiaries have reflected their deferred tax asset and liabilities by netting their individual balances; however, there is no netting on a consolidation basis. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to consolidated income statement, except when it relates to items charged or credited directly to the equity in which case the deferred tax is also dealt within the equity.

Prepaid corporation taxes and corporate tax liabilities are offset when they relate to income taxes levied by the same taxation authority.

Leasing-the Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Leasing-the Group as lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the consolidated income statement.

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

3. Valuation basis and significant accounting policies applied (continued)

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Service revenues are recorded at the time services are rendered.

Fixed-line revenues

Revenues from fixed-line telecommunication services like network access, local usage, domestic and international long distance and infrastructure leases are recognized on an accrual basis as services are provided. Connection fees are immediately recognized as revenue since the fees are below the cost of connection which is also recognized immediately as an expense.

Revenues from sale of Indefeasible Right of Use contracts, which are long term capacity/line rental arrangements, are accounted over the term of the contract.

GSM revenues

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

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

Equipment sales revenues

Revenues from sales of phone device, modem and other network equipment are recorded as revenue at the time of delivery of equipment to customers.

In connection with campaigns, other telecommunication services may be bundled with phone devices and modems. Total arrangement considerations relating to the bundled contract are allocated among the different units if the component has standalone value to the customer and the fair value of the component can be measured reliably. The arrangement consideration is allocated to each deliverable in proportion to the fair value of the individual deliverables. Revenue attributed to delivered component is limited with the amount not contingent to the undelivered component. Equipment revenues are presented in other revenues. Cost of products and services are recorded as expense when related revenue recorded.

Borrowing costs

Borrowing costs that directly attributable to the acquisition, building or manufacturing of a specific asset are recognized as a part of the cost of the related asset, whereas other borrowing costs are recognized as expense in the consolidated income statement in the period they are incurred.

Other income

Interest income is recognized as interest accrues (using the effective interest rate that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Subscriber acquisition costs

The Group recognizes subscriber acquisition costs in the consolidated income statement in the year which they are incurred. Subscriber acquisition costs include subsidization of the handset, taxes on subscription and dealer commissions incurred for acquisitions.

3. Valuation basis and significant accounting policies applied (continued)

Effects of changes in exchange rates

Transactions in foreign currencies are translated to the respective functional currencies of Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange rate at the reporting date. Foreign currency differences arising on translation of foreign currency transactions are recognized in the income statement. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined.

For the subsidiaries whose functional currency is not TL assets and liabilities are retranslated to TL at the exchange rate ruling at the reporting date. The income and expenses are translated to TL at exchange rates approximating to the exchange rates at the dates of the transactions. Foreign currency differences arising on retranslation are recognized directly in equity under currency translation reserve.

The Group hedges it net investment in a foreign operation through a financial liability. Where the differences arising on settlement or translation of monetary items are designated as part of the hedge of the Group's net investment of a foreign operation, these are recognized in other comprehensive income. These amounts are carried at other comprehensive income until the net investment is disposed, at which time; the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Goodwill and fair value differences that arose as a result of acquisition of foreign operation is determined as asset and liability of the foreign operation and translated to TL using the exchange rate at the reporting date.

4. Critical accounting judgments and key sources of estimation uncertainty

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

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

Minority Put Option Liability – On valuing the minority put option liability; the Group considered that there will be no Initial Public Offering ("IPO") for Avea before 1 January 2015 and, therefore, expects that the put option will be exercisable at the earliest as at 1 January 2015.

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

- Group, has no inventory risk.
- Group has no responsibility on technical qualifications of equipment delivered to customers and responsibility after sale belongs to supplier.
- Group does not make any modification on the equipment.
- Group shares credit risk with the supplier.
- Group earns either a fixed rate of commission or zero profit on the transaction.

Prepaid Card Sales Agent –Principal Analysis: Since Avea is primarily responsible for providing the service, has credit and inventory risk and determinant in setting prices; starting from April 2010, Avea recognizes prepaid card incomes on gross basis.

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

Commission income: Avea renders intermediary collection services regarding handsets sold by the distributors at Avea exclusive sale channels. Accordingly, the arrangement with the customer includes both handset principal amount and GSM services. Total considerations have been collected from the customers with up to 18 month instalments via GSM bills where each benefit is clearly identifiable and separable. Avea does not recognize any revenues from the sale of handsets and act as an agent since it has no control over price , nor risk on stock . However, the collection risk of handset principal amount is on Avea and the distributors collect this amount from Avea on monthly basis. Apart from the GSM revenues, as Avea makes its customer base and sales channels use, it charges a commission income to distributor recognized at the time handset is delivered to customer and is classified under other revenues.

Content Sales: Since Avea is primarily responsible for providing the service, has credit and determinant in setting prices; Avea recognizes content revenues on gross basis

Critical judgments of the Group in relation with IFRIC 12 are explained in "key sources of estimation uncertainty" in IFRIC 12 section.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

a) The Group determines whether property, plant and equipment are impaired by estimating the recoverable amount of the assets whenever there is an indication of impairment. This requires an estimation of the value in use of the cash-generating units. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows (Note 19).

b) The estimates used by the Group in the application of IFRIC 12 are as follows:

i) The Company considers that approximately 30% of the foreseen network investments related with the replacement of the network equipment that are reclassified to intangible assets at 1 January 2007 and then are recorded to financial statements as intangible assets are the contractual replacements as required by the concession agreement. The Group has provided provision amounting to TL 8.104 (2012-TL 8.783) (Note 23-b) in the consolidated financial statements for the foreseen contractual replacements in the future. Aforementioned provision is the present value as at 31 December 2013 of the contractual replacement expenses that will be realized in the future. Discount rate used in provision calculation is determined as 12,84% (2012 – 12,5%).

ii) In accordance with IFRIC 12, the Company has determined the cost of the investments in intangible assets recognized under the scope of IFRIC 12 by adding the profit margin, which is applied in the market for similar construction services, to the cost of acquiring the related network equipment. The estimated profit margin used in construction services provided in exchange for concession right is 13% (2012 – 13%) for the year ended as of 31 December 2013. The profit margin of property, plant and equipment accounted within the scope of IFRIC 12 amounting to TL 462.681 (2012 – TL 571.973) (Note 23) is TL 53.229 for the year ended as of 31 December 2013 (2012 – TL 65.802).

c) A deferred tax asset is recognized only to the extent that it is probable that a tax benefit will be realized in the future. If it is probable that a tax benefit will be realized, a deferred tax asset is recognized on unused tax losses, unused tax credits and other deductible temporary differences. With the expectation to recover certain part of its tax losses carried forward in Avea, the Group has recognized deferred tax assets on statutory tax losses available for offsetting with future statutory taxable profits amounting to TL 238.500 (31 December 2012 – TL 238.500). Every year, the Group re-assesses its tax loss carry forwards and if there is a material change in the deferred tax asset recognized in the consolidated financial statements, the deferred tax assets are also changed (Note 14).

d) Assumptions used in the impairment test of property, plant and equipment and intangible assets have been explained in Note 19.

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

e) The impairment losses in trade and other receivables are based on management's evaluation of the volume of the receivables outstanding, historical collection trends and general economic conditions. The Group follows collection of trade receivables periodically and on the basis of previous years collection ratios, records provisions in case of losses due to trade receivables should economic conditions, collection trends or any specific industry trend worsen compared to management estimates, allowance for doubtful receivables recognized in consolidated financial statements may not be sufficient to cover bad debts.

Assumptions used to calculate allowance for doubtful receivables have been reconsidered by the Group during 2013. If the assumptions have not been changed, allowance for doubtful receivables would have been TL 44.945 higher for the year ended 31 December 2013. The effect of the change in doubtful receivable estimation future periods cannot be computed because the allowance for doubtful receivables depends on future collections and total amount that will be invoiced.

f) Assumptions used by Company in goodwill impairment test are explained in Note 19. The Group determines the useful life of an asset by considering its future economic benefit. This evaluation is driven by the Group's previous experience on similar experiences. The Group also considers useful life of the asset from technical and commercial perspectives due to changes and developments in market in order to assess whether additional impairment is required or not.

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

h) The Group calculates market value of minority share put opinion liability as of 1 January 2015, based on discounted cash flow method. Value of the liability is determined as of 1 January 2015 and discounted to 31 December 2013 (The details have been explained in Note 11).

i) The Group has changed the assumptions regarding vacation liability provision according to the amendment of TAS 19. According to the new assumption, the Group makes estimates the timing when the employees will use the accumulated vacation days and discounts the provision amount to reporting date.

5. Segment reporting

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

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.1))

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013 (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		Eliminations		Consolidated	
	1 January-31 December 2013	1 January-31 December 2012	**1 January-31 December 2013**	1 January-31 December 2012	**1 January-31 December 2013**	1 January-31 December 2012	**1 January-31 December 2013**	1 January-31 December 2012
Revenue								
Domestic PSTN	**3.375.802**	3.836.954	**-**	-	**-**	-	**3.375.802**	3.836.954
ADSL	**3.363.836**	3.069.320	**-**	-	**-**	-	**3.363.836**	3.069.320
GSM	**-**	-	**3.838.112**	3.474.744	**-**	-	**3.838.112**	3.474.744
IFRIC12 revenue	**462.681**	571.973	**-**	-	**-**	-	**462.681**	571.973
Data service and leased line revenue	**1.009.482**	909.882	**-**	-	**-**	-	**1.009.482**	909.882
International revenue	**532.947**	463.605	**-**	-	**-**	-	**532.947**	463.605
Domestic interconnection revenue	**350.142**	308.899	**-**	-	**-**	-	**350.142**	308.899
Rental income from GSM operators	**83.107**	87.882	**-**	-	**-**	-	**83.107**	87.882
Other	**589.570**	329.871	**-**	-	**-**	-	**589.570**	329.871
Eliminations	**-**	-	**-**	-	**(415.713)**	(346.988)	**(415.713)**	(346.988)
Total revenue	**9.767.567**	9.578.386	**3.838.112**	3.474.744	**(415.713)**	(346.988)	**13.189.966**	12.706.142
Cost of sales and operating expenses (excluding depreciation and amortization)	**(5.568.349)**	(5.116.904)	**(3.245.851)**	(2.992.634)	**418.430**	341.754	**(8.395.769)**	(7.763.159)
Other income/(expense) and income/(expense) from investing activities	**247.490**	241.382	**(12.209)**	26.192	**(3.534)**	(3.345)	**231.747**	264.229
Depreciation and amortization	**(1.059.551)**	(1.058.616)	**(721.947)**	(642.183)	**1.954**	4.147	**(1.779.544)**	(1.670.880)
Impairment on FA & IFA	**-**	(21.292)	**-**	-	**-**	-	**-**	(21.292)
Impairment on goodwill	**-**	(4.480)	**-**	-	**-**	-	**-**	(4.480)
EBITDA	**4.402.866**	4.614.333	**584.304**	486.005	**(816)**	(3.955)	**4.986.354**	5.096.383
Doubtful receivable provision expense	**50.080**	6.190	**76.025**	12.351	**-**	-	**126.105**	18.541
Capital expenditure (*)	**1.496.001**	1.681.177	**711.376**	755.760	**(1.901)**	(1.803)	**2.205.476**	2.435.134
Contribution to the consolidated revenue (**)	**9.440.604**	9.306.068	**3.749.362**	3.400.074	**-**	-	**13.189.966**	12.706.142
Contribution to the consolidated EBITDA (***)	**4.201.000**	4.396.037	**785.354**	700.345	**-**	-	**4.986.354**	5.096.383

(*) Capital expenditures do not include TL 53.229(2012 – TL 65.802) 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 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 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

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

5. Segment reporting (continued)

	1 January- 31 December 2013	1 January- 31 December 2012
Fixedline segment EBITDA	**4.402.866**	4.614.333
GSM segment EBITDA	**584.304**	486.005
Inter-segment eliminations	**(816)**	(3.955)
Consolidated EBITDA	**4.986.354**	5.096.383
Foreign exchange gains, interest income, discount income on current accounts presented under other operating income	**264.326**	337.816
Foreign exchange losses, interest expense, discount expense on current accounts presented under other operating expense	**(224.736)**	(226.987)
Financial income	**555.737**	534.661
Financial expenses (-)	**(2.095.554)**	(678.819)
Depreciaiton, amortisation and impairment	**(1.779.544)**	(1.696.652)
Consolidated profit before tax	**1.706.583**	3.366.402

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)**

31 December 2012	**Fixed Line**	**Mobile**	**Eliminations**	**Other unallocated amounts (*)**	**Consolidated**
Total segment assets	13.304.080	5.595.171	(1.691.401)	-	17.207.850
Total segment liabilities	(9.282.987)	(2.698.019)	1.695.865	(467.561)	(10.752.702)

(*) Includes minority put option liability amounting to TL 483.946 (31 December 2012–TL 467.561).

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

6. Cash and cash equivalents

	31 December 2013	31 December 2012
Cash on hand	**854**	791
Cash at banks– Demand Deposit	**385.302**	439.694
Cash at banks– Time Deposit	**667.877**	520.232
Other	**9.678**	71
	1.063.711	960.788

As of 31 December 2013, time deposits are all short-term, maturing within one month and denominated in both foreign currencies and TL. The interest rates are between 3,75% -9,75% for TL deposits, between 0,35%-3,25% for US Dollar deposits and between 0,75%-3,25% for Euro deposits. (31 December 2012 – for TL deposits between 3,25% and 12,10%, for US Dollar deposits between 0,10% and 4,55%, for Euro deposits between 0,10% and 5,29%).

As of 31 December 2013, TL 58.944 (31 December 2012-TL 87.816) of time deposits represents advances received from the Turkish Armed Forces for Turkish Armed Forces Integrated Communication Systems ("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 (Note 15). These time deposits are restricted and can only be used for payments related to TAFICS projects.

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

	31 December 2013	31 December 2012
Cash and cash equivalents	**1.063.711**	960.788
Less: restricted amounts		
- Collection protocols	**(280.189)**	(284.687)
- TAFICS projects	**(58.944)**	(87.816)
- Restricted deposit in relation to bank borrowings	**-**	(124.411)
- ATM collection	**(8.661)**	(6.479)
- Other	**(18.540)**	(10.383)
Not restricted cash	**697.377**	447.012

As of 31 December 2013, demand deposits amounting to TL 280.189 (31 December 2012-TL 284.687) is restricted due to collection protocols signed with banks for receipts from the subscribers, under which proceeds are made available to the Group a certain number of days after the cash is collected. As of 31 December 2013, there is no restricted deposit amount in relation to bank borrowings. As of 31 December 2012, all of restricted deposits in relation to bank borrowings consist of blocked time deposits related to Avea's bank borrowing. An additional amount of TL 8.661 arising from collections through automated teller machine ("ATM") is not available for use at 31 December 2013 (31 December 2012- TL 6.479).

Out of TL 1.063.711 (31 December 2012- TL 960.788), cash and cash equivalents amounting to TL 375.563 (31 December 2012 – TL 508.809) belongs to Avea.

As of 31 December 2013, the Group has EUR 109.424 (2012 – EUR 92.582) and US Dollar 711.365 (2012 – US Dollar 621.590) amounted bank loans which have been committed banks and not utilized yet, having maturity dates 8 May 2014 and 29 May 2016.

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

7. Financial liabilities– Net

Bank Borrowings

	31 December 2013			31 December 2012		
	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	**3,63**	**54.573**	**54.573**	5,17	284.162	284.162
Interest accruals:						
TL bank borrowings with fixed interest rates		**556**	**556**		604	604
Short-term borrowings			**55.129**			284.766
Short-term portion of long-term bank borrowings:						
USD bank borrowings with fixed interest rates	**3,10**	**61.404**	**131.055**	2,98	165.368	294.785
USD bank borrowings with variable interest rates (*)	**3,08**	**350.771**	**748.651**	3,47	187.824	334.815
Euro bank borrowings with variable interest rates (**)	**2,47**	**424.456**	**1.246.415**	2,84	166.034	390.462
JPY bank borrowings with variable interest rates (***)	**2,65**	**1.657.047**	**33.524**	-	-	-
Interest accruals of long-term bank borrowings						
USD bank borrowings with fixed interest rates		**943**	**2.013**		1.386	2.471
USD bank borrowings with variable interest rates (*)		**9.805**	**20.927**		8.615	15.357
Euro bank borrowings with variable interest rates (**)		**4.530**	**13.302**		7.769	18.270
JPY bank borrowings with variable interest rates (***)		**735**	**15**		37.201	768
Short-term portion of long-term bank borrowings			**2.195.902**			1.056.928
Total short-term borrowings			**2.251.031**			1.341.694
Long-term borrowings:						
USD bank borrowings with fixed interest rates	**3,10**	**231.545**	**494.187**	2,98	257.611	459.217
USD bank borrowings with variable interest rates (*)	**3,08**	**1.487.391**	**3.174.539**	3,47	1.010.218	1.800.815
Euro bank borrowings with variable interest rates (**)	**2,47**	**789.909**	**2.319.575**	2,84	980.585	2.306.035
JPY bank borrowings with variable interest rates (***)	**2,65**	**3.314.094**	**67.047**	2,82	4.951.728	102.283
Total long-term borrowings			**6.055.348**			4.668.350
Total financial liabilities			**8.306.379**			6.010.044

(*) Libor + (varies between %0,80 – %3,40) spread
(**) Euribor + (varies between %0,25 – %3,25) spread
(***) JPY Libor + %2,5

Avea's total borrowings included in the consolidated financial statements amount to TL 3.467 (2012 – 164.371).

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

7. Financial liabilities– Net (continued)

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

	31 December 2013					31 December 2012				
	Up to 3 moths	**3 months to 1 year**	**1 year to 5 years**	**More than 5 year**	**Total**	Up to 3 moths	3 months to 1 year	1 year to 5 years	More than 5 year	Total
TL bank borrowings with fixed interest rates	**38.144**	**16.985**	**-**	**-**	**55.129**	272.356	12.410	-	-	284.766
USD bank borrowings with fixed interest rates	**5.926**	**127.142**	**452.601**	**41.586**	**627.255**	2.826	294.430	369.379	89.838	756.473
USD bank borrowings with variable interest rates	**325.372**	**444.206**	**2.338.038**	**836.501**	**3.944.117**	207.895	142.277	1.333.293	467.522	2.150.987
Euro bank borrowings with variable interest rates	**330.059**	**929.658**	**2.003.870**	**315.705**	**3.579.292**	103.623	305.109	2.079.052	226.983	2.714.767
JPY bank borrowings with variable interest rates	**15**	**33.524**	**67.047**	**-**	**100.586**	768	-	102.283	-	103.051
	699.516	**1.551.515**	**4.861.556**	**1.193.792**	**8.306.379**	587.468	754.226	3.884.007	784.343	6.010.044

The re-pricing or the earlier contractual maturities of bank borrowings considering the effect of interest rate swaps in equivalent of TL are as follows:

	31 December 2013					31 December 2012				
	Up to 3 moths	**3 months to 1 year**	**1 year to 5 years**	**More than 5 year**	**Total**	Up to 3 moths	3 months to 1 year	1 year to 5 years	More than 5 year	Total
TL bank borrowings with fixed interest rates	**38.144**	**16.985**	**-**	**-**	**55.129**	272.356	12.410	-	-	284.766
US bank borrowings with fixed interest rates	**5.926**	**127.142**	**452.601**	**41.586**	**627.255**	2.826	294.430	369.379	89.838	756.473
US bank borrowings with variable interest rates	**1.860.417**	**1.351.551**	**584.448**	**147.701**	**3.944.117**	1.004.074	500.721	646.192	-	2.150.987
Euro bank borrowings with variable interest rates	**1.801.161**	**1.778.131**	**-**	**-**	**3.579.292**	1.304.611	1.410.156	-	-	2.714.767
JPY bank borrowings with variable interest rates	**100.586**	**-**	**-**	**-**	**100.586**	103.051	-	-	-	103.051
	3.806.234	**3.273.809**	**1.037.049**	**189.287**	**8.306.379**	2.686.918	2.217.717	1.015.571	89.838	6.010.044

The following borrowings of Avea as of 31 December 2013 and 31 December 2012 are secured by a security package:

	31 December 2013			31 December 2012		
	US Dollar	**Euro**	**TL equivalent**	US Dollar	Euro	TL equivalent
Borrowings secured by security package	**-**	**-**	**-**	79.871	9.148	163.892

As of 31 December 2013 all bank borrowing in the scope of security package has been repaid, pledges and other components of the security package has been released.

TTINT Turkey borrowed Euro 10.000 loan in total from a Turkish bank's Bahrain Branch for the investment of construction of fiber optic lines. In return for this loan, TTINT Turkey assigned its receivables amounting to its outstanding loan balance to the corresponding bank as a guarantee. As of 31 December 2013 loan payable amounts to Euro 50.

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

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

8. Trade receivables and payables from third parties

a) Trade receivables

	31 December 2013	31 December 2012
Short-term		
Trade receivables	**4.008.925**	3.462.154
Other trade receivables	**68.757**	46.900
Income accruals	**545.468**	502.882
Allowance for doubtful receivables (-)	**(1.531.544)**	(1.396.469)
Total short-term trade receivables	**3.091.606**	2.615.467
Long-term		
Trade receivables	**34.275**	31.012
Total long-term trade receivables	**34.275**	31.012

Trade receivables generally have an average 30 day terms (2012 – 30 days).

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

	31 December 2013	31 December 2012
At January 1	**(1.396.469)**	(1.394.094)
Provision for the year	**(329.387)**	(189.055)
Reversal of provision-collections	**193.297**	186.257
Write off doubtful receivables	**1.187**	373
Change in currency translation differences	**(172)**	50
At 31 December	**(1.531.544)**	(1.396.469)

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 31 December 2013 and 2012 the analysis of trade receivables that were past due but not impaired is as follows:

			Past due but not impaired					
	Total	**Neither past due nor impaired**	**> 30 Days**	**30-60 days**	**60-90 days**	**90-120 days**	**120-360 days**	**>360 days**
31 December 2013	**3.125.881**	**2.048.236**	**201.826**	**211.024**	**105.557**	**77.995**	**199.192**	**282.051**
31 December 2012	2.646.479	1.654.326	162.665	229.107	118.151	92.497	222.335	167.398

Receivables guaranteed of the Group are amounting to TL 22.760 (2012 – TL 45.664).

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

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

b) Trade payables

	31 December 2013	31 December 2012
Short-term		
Trade payables	**1.406.103**	1.249.391
Expense accruals	**318.401**	387.015
Other trade payables	**13.244**	1.100
Total short-term trade payables	**1.737.748**	1.637.506
Long-term		
Trade payables	**--**	16.394
Total long-term trade payables	**--**	16.394

Trade payables amounting to TL 16.480 as at 31 December 2013 (2012-TL 235) represent payable to suppliers due to TAFICS projects (Note 6).

The average term of trade payables is between 30 and 90 days (2012 – 30 and 90 days).

As of 31 December 2012, long-term trade payables represent payables having a maturity of more than 1 year to suppliers of equipments that are purchased in connection with sale campaigns and will be paid when collected from the subscribers.

Information related to the Group's credit risk is represented in Note 35.

9. Receivables and obligations under finance and operational leases

Financial leases:

The Group has no financial lease receivables as of 31 December 2013 and 2012.

Finance lease obligations that the Group has entered into for acquisition of network equipment, vehicle and a building are as follows:

	31 December 2013		31 December 2012	
	Principal	**Interest**	Principal	Interest
Within one year	**9.743**	**1.181**	7.125	1.240
Between one to two years	**10.567**	**658**	7.029	888
Between two to five years	**6.819**	**156**	13.596	675
	27.129	**1.995**	27.750	2.803

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

9. Receivables and obligations under finance and operational leases (continued)

Operating leases:

a) After the foundation of the Company, an agreement was signed between PTT and the Company in 1997 to grant the right of free use of buildings occupied by both parties for 49 years. In 2005, an amendment was made to the agreement requiring the Company to pay TL 35.000 per year for ten years (which will be escalated based on rent increase rate determined by Ministry of Finance) to PTT in exchange for the use of net m2 of building space owned by the PTT but occupied by the Company or vice versa. Whether the operational lease agreement will continue to be valid or not will be determined by mutual agreement of both parties on 11 April 2015, which is the end of the ten year period based on the agreement dated 11 April 2005. Since the transaction between PTT and the Company is not an arms-length transaction, it has been reflected on a net cash basis in the consolidated financial statements, instead of grossed up fair value (Note 10).

At the balance sheet date, the Group has irrevocable operational leasing commitments on the basis of the mentioned operational leasing and other property rental operations. The maturity dates of these commitments as follows:

	31 December 2013 (*)	31 December 2012 (*)
Within one year	**61.621**	63.353
In the second to fifth years (inclusive)	**21.670**	82.657
After fifth year	**1.876**	2.404
	85.167	148.414

(*) Future escalations have not been considered and future payments are calculated based on current year's rent amount.

b) The Company has operating lease agreements with respect to leased lines. The revenue from leased lines for the year ended 31 December 2013 is TL 424.507 (2012 – TL 463.887).

c) Group entered into operating lease agreements with respect to base stations and leased lines. Total operating lease expense for the year ended 31 December 2013 amounts to TL 272.574 (2012 –TL 278.973).

A summary of commitments in relation to base station leases and leased lines are as follows:

	31 December 2013	31 December 2012
Within one year	**70.715**	146.673
In the second to fifth years (inclusive)	**221.383**	100.561
Later than five years	**38.252**	25.110
	330.350	272.344

10. 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 TAS 24 disclosure requirements, state controlled entities are excluded from general reporting requirements.

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

10. Due from and due to related parties – net (continued)

Details of balances and transactions between the Group and other related parties as at 31 December 2013 and 31 December 2012 are disclosed below:

	31 December 2013	31 December 2012
Due from related parties		
Parent company		
Saudi Telecom Company ("STC") (2)	**34.260**	12.870
Other related parties		
Oger Telekom Yönetim Hizmetleri Limited Şirketi ("OTYH") (1)	**189**	151
Cell C Ltd. (1)	**304**	-
Oger Systems Company Ltd. (1)	**978**	348
Other	**196**	34
	35.927	13.403
Due to related parties		
Parent company		
STC (2)	**1.656**	998
Other related parties		
OTYH (1)	**8.012**	6.552
Other	**213**	53
	9.881	7.603

(1) a subsidiary of Oger Telecom
(2) shareholder of Oger Telecom

Transactions with shareholders:

During the year ended 31 December 2013, the Company made dividend payment to the Treasury at the amount of gross TL 764.535 (31 December 2012 –TL 600.825). The dividend payment to OTAŞ amounts to gross TL1.327.304 (31 December 2012 – TL 1.043.089).

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 and Communications under the law Global Service Act numbered 5369.

As of 31 December 2013, unpaid portion of Treasury Share, universal service fund and ICTA share are recorded under other short term payables (Note 12) and these expenses are accounted at cost of sales account.

Transactions with other related parties:

Postage services have been rendered by PTT to the Company. Besides, PTT is collecting Türk Telekom's and TTNET's invoices and in return for these services collection commissions are paid to PTT.

Operational lease payment made to PTT by the Company as part of the lease agreement amounts to TL 61.621 in 2013 (31 December 2012– TL 60.480).

The Company is rendering and receiving international traffic carriage services, data line rent services to and from STC and sharing advertisement expenses with STC. Total revenues and expenses incurred in relation to these services amounted to TL 10.744 and TL 782, respectively, as of 31 December 2013 (31 December 2012 – TL 15.669 revenues and TL 8.441expenses)

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

10. Due from and due to related parties – net (continued)

Compensation of key management personnel

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

	31 December 2013	31 December 2012
Short-term benefits	**81.739**	88.924
Long-term defined benefit plans	**1.894**	1.718
	83.633	90.642

Furthermore, OTASC charged to the Company a consultancy fee amounting to TL 23.706 and an expense fee for an amount of TL 238 TL for the year ended 31 December 2013 (31 December 2012 – TL 19.617 and TL 351), based on the contract between OTASC and the Company. OTASC'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.

Guarantees provided to related parties:

The guarantees given by the Company to support the long term financing of TTINT are explained in Note 8.

The Company guaranteed EUR 8.000 to support financing of Cetel.

11. 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 31 December 2013, it had been assumed that İş Bankası Group would exercise its option on 1 January 2015. The Company has estimated a value based discounted cash flows after 31 December 2014. The value determined as at 1 January 2015 is then discounted back to 31 December 2013. The fair value of the put option liability as at 31 December 2013 amounts to TL 483.946 (2012 – TL 467.561). In accordance with Group's accounting policies, the change between fair values of minority put option liabilities as of 31 December 2013 and 2012 has been accounted in other reserves under equity.

In order to reflect the minority put option liability in the consolidated financial statements, the minority interest (after giving the effect of loss) as at 31 December 2013, amounting to negative TL 251.139 (2012 – TL 286.846), has been reclassified from equity to "minority put option liability" under long-term liabilities after appropriation of profit/loss to the minority interest for the year. The fair value of minority put option liability, has been determined as TL 483.946 (2012-TL 467.561), and the difference of TL 232.807 (2012-TL 180.715) is reflected in equity as "minority put option liability reserve", based on the Group's accounting policy for the acquisition of minority interest (Note 25).

The value of minority put option liability has been calculated on the basis of discounted cash flows after 31 December 2014. The enterprise value used as a base for the minority put option fair value determination has been calculated using cash flow projections from the business plan of Avea covering a five-year plan. Weighted Average Cost of Capital (WACC) used for the discount of cash flows for the period that Avea will pay income tax is 14,68% and 15,59% for non-taxable period. The valuation is tested at a sensitivity of +1%/-1%. Avea's corporate value is based on a discounted cash flow (DCF) study implemented until 2029. The values that averaged according to 1 January 2015 have been discounted again according to 31 December 2013 (Note 35).

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12. Other receivables and payables

Other current assets

	31 December 2013	31 December 2012
Other current assets	**109.222**	137.926
Deposits and guarantees given	**490**	397
Other doubtful receivables	**23.887**	33.872
Allowance for other doubtful receivables	**(23.887)**	(33.872)
	109.712	138.323

As of 31 December 2013, TL 44.215 (2012 – TL 43.136) portion of other short term receivables consists of receivables from Ministry of Transport and Communications due to the expenses made under Universal Service Fund.

As of 31 December 2013, other doubtful provision amounted to TL 1.257 (2012 – TL 14.527) is provided while TL 11.242 (2012 – TL 3.153) is reversed.

Other long term assets

	31 December 2013	31 December 2012
Deposits and guarantees given	**31.638**	28.143
Other receivables	**11.635**	--
	43.273	28.143

Other current liabilities

	31 December 2013	31 December 2012
Taxes and duties payable	**215.065**	225.827
ICTA shares	**54.506**	50.727
Treasury share accruals	**56.005**	49.151
Universal Services Fund	**111.330**	104.802
Deposits and guarantees received	**2.803**	2.651
Other payables	**19.929**	14.040
	459.638	447.198

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

Other non-current liabilities

	31 December 2013	31 December 2012
Deposits and guarantees received	**7.897**	7.761
Other payables	**150**	1.195
	8.047	8.956

13. Inventories

The Group has an inventory balance of TL 87.029 as at 31 December 2013 (2012- TL128.107). Major part of this balance is composed of modems, computer, tablet, dect phones, cable box, SIM cards and consumables such as linkage block.

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

14. Deferred tax assets and liabilities

Deferred tax

The Group calculates deferred tax assets and liabilities based on temporary differences arising between the carrying amount of assets and liabilities as reported under Turkish Accounting Standards and their tax base for statutory purposes. These temporary differences are mainly due to the timing differences of certain income and expense items in statutory and Turkish Accounting Standards financial statement as disclosed below.

The Group perpetually reassesses unrecognized deferred tax assets and decided to account for deferred tax assets (resulting from Avea and TTINT) arising from the tax losses carried forward based on the estimated taxable profits according to the business plan. Avea has reassessed unrecognized deferred tax assets and concluded that there is impairment on deferred tax asset and the amount decreased to TL 238.500.

As of 31 December 2013, deferred tax asset arising from prior year tax losses of TTINT Group is amounting to TL 37.262 (2012- TL 32.454). TTINT Group's unrecognized deductible tax losses that will be utilized upon the existence of a tax base and the expiration dates are as follows:

Expiration years	31 December 2013
2020	--
2021	**449**
No expiry date	**106.136**
	106.585

As of 31 December 2013, the deferred tax asset recognized for Avea's carried forward tax losses amounted to TL 238.500 (2012 – TL 238.500).Avea's unrecognized deductable tax losses that will be utilized upon the existence of a tax base and the expiration dates are as follows:

Expiration years	31 December 2013
2014	**1.183.769**
2015	**952.038**
2016	**849.197**
2017	--
2018	**254.043**
	3.239.047

For the calculation of deferred tax asset and liability, a rate of 20% for the companies established in Turkey was used as at 31 December 2013 and 2012.

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

14. Deferred tax assets and liabilities (continued)

Deferred tax asset/liability	**Base for deferred tax calculation 31 December 2013**	**Deferred tax assets/(liabilities) 31 December 2013**	Base for deferred tax calculation 31 December 2012	Deferred tax assets/(liabilities) 31 December 2012
Temporary differences on property, plant and equipment	**(2.098.954)**	**(428.535)**	(1.877.060)	(422.211)
Income accruals	**(307.961)**	**(61.592)**	(300.135)	(60.027)
Derecognition of lawsuit fees	**(15.072)**	**(3.014)**	(15.072)	(3.014)
Fixed assets renovation fund	**(164.938)**	**(32.988)**	(110.545)	(22.109)
Other	**(155.569)**	**(31.141)**	(61.982)	(12.370)
	(2.742.494)	**(557.270)**	(2.364.794)	(519.731)
Deferred tax asset recognized from tax losses carried forward	**1.347.760**	**275.762**	1.200.988	273.867
Provision for long-term employee benefits	**571.391**	**114.297**	737.742	147.634
Provision for unused vacation	**55.189**	**11.047**	81.075	16.256
Expense accruals	**96.340**	**19.097**	102.987	20.597
Provision for doubtful receivables	**21.570**	**4.519**	124.598	24.979
Universal service fund and other contributions	**137.762**	**27.552**	141.812	28.362
Other	**73.013**	**14.744**	63.047	15.764
	2.303.025	**467.018**	2.452.249	527.459
Deferred tax liability, net		**(90.252)**		7.728
Deferred tax asset, net		**264.503**		262.531
Deferred tax liability, net		**(354.755)**		(254.803)

As of 31 December 2013, the total amount of current or deferred taxes related to transactions booked directly to equity is TL 76.188 (2012 – TL 77.657)

As of 31 December 2013, the total amount of the Group's unrecognised deferred tax asset related to subsidiaries is TL 1.721.968 (2012 – TL 1.793.139)

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14. Deferred tax assets and liabilities (continued)

Deferred tax (expenses)/income	**1 January- 31 December 2013**	1 January- 31 December 2012
Provision for long-term employee benefits	**(40.023)**	16.364
Temporary differences of property, plant and equipment	**(6.324)**	12.058
Universal service fund and other contributions	**(810)**	6.735
Expense accruals	**(1.500)**	4.225
Provision for unused vacation	**(5.209)**	806
Tax losses carried forward	**1.895**	32
Fixed assets renovation fund	**(10.879)**	(22.109)
Provision for doubtful receivables	**(20.460)**	(18.033)
Income accruals	**(1.565)**	(17.954)
Derivative instruments	**4.626**	645
Currency translation differences	**(879)**	(528)
Other	**(6.076)**	5.724
Deferred tax (expense)/income	**(87.204)**	(12.035)

Movement of deferred tax liability	**31 December 2013**	31 December 2012
Opening balance, 1 January	**(254.803)**	(269.913)
Deferred tax related to items charged directly to OCI during the year:		
Actuarial gain	**6.686**	20.822
Net investment hedge	**(18.340)**	6.635
Charged to period profit or loss	**(89.176)**	(12.874)
Currency translation differences	**878**	527
Closing balance as of 31 December	**(354.755)**	(254.803)

Movement of deferred tax asset	**31 December 2013**	31 December 2012
Opening balance, 1 January	**262.531**	261.692
Charged to period profit or loss	**1.972**	839
Closing balance as of 31 December	**264.503**	262.531

	31 December 2013	31 December 2012
Charged to period profit or loss:		
- Deferred tax liability (expense)/income	**(89.176)**	(12.874)
- Deferred tax asset income/(expense)	**1.972**	839
Deferred tax income (Note 34)	**(87.204)**	(12.035)

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15. Other assets, liabilities and employee benefit obligations

Other current assets

	31 December 2013	31 December 2012
Intermediary services for collection [1]	**86.350**	131.052
Advances given [2]	**41.896**	45.821
VAT and Special Communications Tax (SCT) receivable	**29.228**	60.685
Other current assets	**6.829**	4.526
	164.303	242.084

[1] Intermediary services and sales for collection consist of advances given by Avea to its distributors.
[2] Advances given mainly consist of advances given to suppliers.

Other non-current assets

	31 December 2013	31 December 2012
Intermediary services for collection (1)	**18.858**	34.759
Other non-current assets	**2**	--
	18.860	34.759

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

Other current liabilities

	31 December 2013	31 December 2012
Advances received (1)	**40.727**	85.002
Other liabilities	**13.816**	13.137
	54.543	98.139

[1] The Company act as an intermediary of Ministry of Defense and North Atlantic Treaty Organization (NATO) projects by transferring advances received to the contractors and supports the management of the projects. Expenditures arising from the projects are deducted from the advances received at the date of the expenditure. Advances not used are held as time deposits and the interest earned is credited to the advances received in accordance with the agreement between the parties (Note 6).

Employee benefit obligations

	31 December 2013	31 December 2012
Payables to personnel	**21.568**	4.081
Employee's income tax payables	**42.714**	32.148
Social security premiums payable	**41.188**	37.926
	105.470	74.155

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16. Prepaid expenses and deferred revenues

Short-term prepaid expenses

	31 December 2013	31 December 2012
Prepaid rent expenses	**107.858**	101.512
Other prepaid expenses	**125.889**	116.688
Advances for inventories and fixed assets	**12.390**	23.089
	246.137	241.289

Long-term prepaid expenses

	31 December 2013	31 December 2012
Prepaid rent expenses	**11.268**	9.855
Other prepaid expenses	**16.524**	14.427
	27.792	24.282

Short-term deferred revenues

	31 December 2013	31 December 2012
Deferred revenues (*)	**82.627**	79.854
Advances received (**)	**43.303**	40.379
	125.930	120.233

(*) Deferred revenues mainly consists of the invoiced but unconsumed minutes' sales value
(**) Advances taken mainly result from the advances taken by the Company and Avea from the customers.

Long-term deferred revenues

	31 December 2013	31 December 2012
Deferred revenues (*)	**180.620**	158.717
Advances received (**)	**90.293**	77.565
	270.913	236.282

(*) Deferred revenues mainly result from TTINT's indefeasible right of use contracts.
(**) Advances taken mainly result from the advances taken by TTINT's according to indefeasible right of use contracts.

17. Financial investments

	31 December 2013	31 December 2012
Balance at 1 January	**11.840**	11.840
As of December,31	**11.840**	11.840

Cetel was incorporated as a special purpose entity for the purpose of acquiring the 76% shares of Albtecom Sh.A which is located Albania and operates in telecommunication industry.

As of 31 December 2013 and 2012, the Company carries Cetel at cost after deducting impairment losses, if any, because of the lack of timely financial information for equity accounting purposes and due to lack of significant influence.

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18. Other financial investments and other financial liabilities

Cash flow hedges and derivative financial instruments

Interest rate swaps

Avea's interest rate hedging transactions which is designed to control its exposure to interest rate risk in relation to its floating rate borrowings has been redeemed as of 31 December 2013.

As of 31 December 2013, Avea has no ongoing interest rate swap transactions (31 December 2012 – TL 5.754) and there is no unrealized interest rate swap loss (31 December 2012 – TL 1.926) to be recognized under other comprehensive income. TL 1.926 unrealized loss accounted under hedging reserve account has been transferred from other comprehensive income to income statement.

Türk Telekom has entered into an eight-part interest rate swap transaction between 11 April 2012 and 30 April 2012 with a maturity date of 21 March 2022 and a total notional amount of US Dollar 400.000, in order to hedge a portion of its variable rate long term bank borrowings. In addition the Company has entered into a four-part interest rate swap transaction between 8 April 2013 and 17 April 2013 with a maturity date of 21 August 2023 and a total notional amount of US Dollar 200.000, in order to hedge a portion of its variable rate long term bank borrowings. As of 31 December 2013, fair value of interest rate swap transactions amounts to TL 1.536 has been classified to other current financial liabilities and fair value of interest rate swap transactions amounts to TL 58.950 has been classified to other non-current derivative financial assets. (31 December 2012 – TL 33.177-liability).The interest rate swaps are assessed to be effective hedges and a net change in fair value of interest rate swaps amounting to TL 90.590 as at 31December 2013 (31 December 2012 – TL 33.177 loss) has been recognized in other comprehensive income.

Company	Notional Amount (USD Dollar)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 Aralık 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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18. Other financial investments and other financial liabilities (continued)

Cash flow hedges and derivative financial instruments (continued)

Interest rate swaps (continued)

Company	Notional Amount (USD Dollar)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 Aralık 2012 (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	(2.029)
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	(31.148)
Avea	91.940	28 April 2009	30 September 2013	Pay fixed rates and receive floating rates between 31 March 2009 and 30 September 2013	(5.754)
					(38.931)

Hedge of net investment in a foreign operation

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

Other derivative instruments which are not designated as hedge

The Company has also entered into eight-part cap 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 four-part cap 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. As of 31 December 2013 fair value of derivative transactions amounting to TL 11.766 (31 December 2012 – TL 3.226) has been recognized under long term financial liabilities. Unrealized loss on these derivatives amounting to TL 14.992 (31 December 2012- TL 3.226 gain) has been recognized in the consolidated income statemen

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Company	**Notional Amount (USD Dollar)**	**Trade Date**	**Maturity Date**	**Terms**	**Fair Value Amount as at 31 Aralık 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**	**(4.693)**
				21 March 2022, and receive fixed premium (%0,24-0,27)	
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**	**(7.073)**
				21 August 2023, and receive fixed premium (%0,24-0,27)	
					(11.766)

Company	Notional Amount (USD Dollar)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 Aralık 2012 (TL)
Türk Telekom	400.000	11 April 2012	21 March 2022	Pay the difference between floating rate and 6% if floating rate exceeds 6%, between 19 March 2014 and	3.226
		30 April 2012		21 March 2022, and receive fixed premium (%0,24-0,27)	
					3.226

The Company has also entered into thirty-part copper option transactions between 21 August 2013 and 27 November 2013 with a maturity date on 5 January 2015 and a total notional amount of 12.800 tones. As of 31 December 2013 fair value of derivative transactions amounting to TL 7.134 has been recognized under short term financial liabilities and TL 4.229 has been recognized under long term financial liabilities. Unrealized loss on these derivatives amounting to TL 11.363 has been recognized in the consolidated income statement.

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

Cash flow hedges and derivative financial instruments (continued)

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

Company	Notional Amount (Tonnes)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 Aralık 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	19-27 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 nine-part JPY forward transactions at 11 November 2013 with a maturity date on 25 September 2015 with a total notional amount of JPY 5.000.000. As of 31 December 2013 fair value of derivative transactions amounting to TL 275 has been recognized under short term financial assets and TL 836 has been recognized under long term financial assets. Unrealized gain on these derivatives amounting to TL 1.111 has been recognized in other comprehensive income.

Company	Notional Amount (JPY)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 Aralık 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

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19. Goodwill

The movement of the Group's goodwill is as follows:

31 December 2011	**53.400**
Currency translation effect	(186)
TTINT goodwill impairment (-)	(4.042)
Sobee goodwill impairment (-)	(438)
31 December 2012	**48.734**
Additions	-
31 December 2013	**48.734**

The Group performs yearly impairment analysis for goodwill and other non-current asset groups as at 30th of November every year. The Group has performed impairment analysis for all of the identified cash generating units.

	31 December 2013	31 December 2012
Goodwill of Avea	**29.694**	29.694
Goodwill of Innova	**11.098**	11.098
Goodwill of Argela	**7.942**	7.942
	48.734	48.734

Türk Telekom and TTNET cash generating unit impairment analysis

For cash generating unit impairment analysis of Türk Telekom and TTNET, total assets and liabilities are considered as one cash generating unit. Recoverable amount is calculated through 5 years business plan which is approved by the management.

The main assumptions used in the discounted cash flow in TL which was prepared based on the approved budgeted figures prepared until 2018 considers 12,84% discount rate and the weighted average cost of capital (WACC) sensitivity as 2%. For 2017-2026 periods, TL cash flow estimations are not projected with consideration of inflation rate of business plan and expected growth rate of the country. As a result, the Group does not require any impairment allowance.

Sobee has been merged with TTNET as of 13 May 2013. As of 31 December 2012, according to the result of the impairment test, a total of TL 7.616 impairment has been booked, consisting of TL 438 which was allocated from the goodwill the purchase of Sobee, TL 295 which was allocated from property, plant and equipment and TL 6.883 which was allocated from intangible assets.

19. Goodwill (continued)

Avea cash generating unit impairment test

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

Discount rate used for the discount of cash flows for the period that Avea will pay income tax is 14,7% and 15,6% for non-taxable period. Cash flow between 2018-2020 and beyond 2020 are extrapolated using a negative growth rate 3% and 0,35%, respectively for TL denominated cash flow projections that is driven by the estimated inflation in the business plan and estimated population growth of the country. Company value of Avea has been tested at a sensitivity of WACC -/+ 1%. As a result of the impairment testing, it has been noted that there is no impairment on goodwill arising on the Avea acquisition. The value in use projections are based on a discounted cash flow (DCF) study implemented until 2029.

Innova and Argela cash generating unit impairment test

Innova and Argela, each one of them has been considered as single cash generating unit and has been tested for impairment together for goodwill and all of their other assets. Recoverable amount was determined through the usage value which had been calculated based on the 5 years business plan approved by the management. The estimated value of the projected cash flows consists of the discounted cash flows until 2018. The WACC rates used in valuation are 18,5% for Innova and Argela and valuation has been tested at a sensitivity of -/+ 2%. For the WACC calculation, technology companies have been taken as a benchmark for the calculation of the beta coefficient. As a result of the impairment test, no impairment is noted for the cash generating units and the goodwill arising from the acquisition of Argela and Innova.

TTINT cash generating unit impairment test

TTINT cash generating unit recoverable amount was determined through the usage value which had been calculated based on the 5 years business plan approved by the management. The estimated value of the projected cash flows consists of the discounted cash flows until 2018. The WACC rate used in valuation is 8,5% and valuation has been tested at a sensitivity of +0,25% and -0,25%. For the WACC calculation, technology companies have been taken as a benchmark for the calculation of the beta coefficient. As a result of the impairment test in 2012, a provision amounting to TL 7.217 that is composing of TL 4.042 goodwill from acquisition of TTINT and TL 3.175 from intangible assets is provided.

Sebit cash generating unit impairment test

In cash generating unit impairment analysis for Sebit, total assets and liabilities were considered as one cash generating unit. Recoverable amount was determined through the usage value which had been calculated based on the 5 years business plan approved by the management. The discount ratio used for the cash flows is %17,2. The estimated value of the cash flows consists of the ones which were discounted until 2018. The growth rate for the current and subsequent terms was foreseen as %2 by considering the inflation rate stated in cash flow estimations business plan and the estimated growth rate of the country. Cash generating unit value was tested with %2 AOSM sensitivity of the cash flows. As a result of impairment analysis, it has not been determined any impairment in cash generating unit values.

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20. Non-current assets held for sale

Board of Directors of the Company decided to derecognize 91 pieces of real estate. Active selling activities continue for the sale of these assets and sale is expected to be within a year.

Impairment is not recognized for these assets, given that the income expected from disposal of these assets exceed its net book value. Depreciation calculation of real estate is terminated when these assets are reclassified to asset held for sale account.

	1 January- 31 December 2013	1 January- 31 December 2012
Cost		
Opening balance	**21.945**	-
Disposals	**(7.575)**	-
Transfers	**32.377**	21.945
31 December Closing Balance	**46.747**	21.945

21. Investment property

The movement of investment property and the related accumulated depreciation for the years ended 31 December 2013 and 2012 is given below:

	1 January- 31 December 2013	1 January- 31 December 2012
Cost		
Opening balance	**41.155**	384.481
Transfer to assets held for sale	**(11.762)**	(14.233)
Transfer to land and buildings	**-**	(329.093)
31 December closing balance	**29.393**	41.155
Accumulated depreciation		
Opening	**10.525**	126.880
Transfer to land and buildings	**-**	(113.043)
Transfer to assets held for sale	**(2.873)**	(10.797)
Depreciation charge for the year	**1.511**	7.485
31 December closing balance	**9.163**	10.525
Carrying amount as at 31 December	**20.230**	30.630

Investment property consists of number of buildings and lands mainly occupied by various corporations. The Group assesses whether there is any impairment indicator in investment properties. If such indicator exists the Group compares fair values and carrying values of the investment properties on an individual asset basis and records identified impairment of the investment properties.

The Group's investment properties consist of number of buildings and lands. In accordance with balance between cost and benefit principle the fair values of all investment properties are not determined in each year, instead selected investment properties' fair values have been determined. In this context, fair values of the investment properties as of the balance sheet date are not presented.

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22. Property, plant and equipment (PPE)

The movement of PPE and the related accumulated depreciation for the years ended 31 December 2013 and 2012 is given below:

	Land and buildings	**Network and other equipment**	**Vehicles**	**Furniture and fixtures**	**Other fixed assets**	**Construction in progress**	**Total**
Cost							
Opening balance, 1 January 2013	**2.098.087**	**37.910.163**	**150.744**	**452.782**	**311.752**	**682.914**	**41.606.442**
Transfers	**(16.635)**	**506.705**	**1.411**	**14.616**	**(3.821)**	**(595.756)**	**(93.480)**
Additions	**21.063**	**529.733**	**2.756**	**46.440**	**24.148**	**663.980**	**1.288.120**
Disposals	**(2.236)**	**(759.479)**	**(4.191)**	**(6.997)**	**(3.796)**	**1.912**	**(774.787)**
Currency translation difference	**1.659**	**88.430**	**105**	**562**	**191**	**3.228**	**94.175**
Closing balance, 31 December 2013	**2.101.938**	**38.275.552**	**150.825**	**507.403**	**328.474**	**756.278**	**42.120.470**
Accumulated depreciation							
Opening balance, 1 January 2013	**838.074**	**31.792.024**	**133.523**	**293.926**	**233.013**	**-**	**33.290.560**
Disposals	**(5.752)**	**(673.891)**	**(3.995)**	**(5.177)**	**(1.871)**	**-**	**(690.686)**
Depreciation charge for the year	**94.704**	**1.001.472**	**6.093**	**66.249**	**23.258**	**-**	**1.191.776**
Transfers	**(15.788)**	**(5.287)**	**(288)**	**(1.646)**	**1.493**	**-**	**(21.516)**
Currency translation difference	**223**	**20.318**	**(320)**	**284**	**165**	**-**	**20.670**
Closing balance, 31 December 2013	**911.461**	**32.134.636**	**135.013**	**353.636**	**256.058**	**-**	**33.790.804**
Carrying amount at 31 December 2013	**1.190.477**	**6.140.916**	**15.812**	**153.767**	**72.416**	**756.278**	**8.329.666**

As of 31 December 2013, net book value of leased assets of Group composes of TL 34.893 land and building and TL 430 network and other equipment (2012: TL 42.575 and building, TL 658 network and other equipment).

The Group does not have any capitalized borrowing cost (2012 – None)

	Land and buildings	Network and other equipment	Vehicles	Furniture and fixtures	Other fixed assets	Construction in progress	Total
Cost							
Opening balance, 1 January 2012	1.746.694	37.247.919	157.729	383.634	272.281	752.185	40.560.442
Transfers	329.093	550.382	741	18.350	1.108	(601.554)	298.120
Additions	33.514	798.956	2.827	55.583	47.414	535.159	1.473.453
Disposals	(10.961)	(674.981)	(10.482)	(4.736)	(9.022)	(2.546)	(712.728)
Currency translation difference	(253)	(12.113)	(71)	(49)	(29)	(330)	(12.845)
Closing balance, 31 December 2012	2.098.087	37.910.163	150.744	452.782	311.752	682.914	41.606.442
Opening balance, 1 January 2012	637.785	31.438.053	137.551	227.961	220.269	-	32.661.619
Disposals	(2.572)	(636.978)	(8.228)	(4.447)	(6.113)	-	(658.338)
Depreciation charge for the year	89.819	974.939	6.873	71.303	19.834	-	1.162.768
Impairment	-	10.941	-	295	-	-	11.236
Transfers	113.043	5.696	(2.671)	(1.320)	(987)	-	113.761
Currency translation difference	(1)	(627)	(2)	134	10	-	(486)
Closing balance, 31 December 2012	838.074	31.792.024	133.523	293.926	233.013	-	33.290.560
Carrying amount at 31 December 2012	1.260.013	6.118.139	17.221	158.856	78.739	682.914	8.315.882

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

23. Intangible assets

	Licence	**Customer relationships**	**Brand**	**Other intangible assets [**]**	**Concession rights**	**Total**
Cost						
Opening balance, 1 January 2013	**1.478.133**	**998.739**	**302.540**	**2.067.087**	**1.693.264**	**6.539.763**
Transfers	**73**	**-**	**-**	**51.774**	**-**	**51.847**
Disposals	**-**	**-**	**-**	**(1.153)**	**-**	**(1.153)**
Additions [*]	**14**	**-**	**-**	**507.890**	**462.681**	**970.585**
Currency translation difference	**24**	**21.516**	**-**	**48.098**	**-**	**69.638**
Closing balance, 31 December 2013	**1.478.244**	**1.020.255**	**302.540**	**2.673.696**	**2.155.945**	**7.630.680**
Accumulated amortization						
Opening balance, 1 January 2013	**416.145**	**571.149**	**98.193**	**1.139.207**	**264.819**	**2.489.513**
Disposals	**-**	**-**	**-**	**(186)**	**-**	**(186)**
Transfers	**-**	**-**	**-**	**1.517**	**-**	**1.517**
Amortization charge for the year	**75.754**	**93.902**	**15.607**	**321.376**	**83.287**	**589.926**
Currency translation difference	**(3)**	**4.220**	**-**	**9.198**	**-**	**13.415**
Closing balance, 31 December 2013	**491.896**	**669.271**	**113.800**	**1.471.112**	**348.106**	**3.094.185**
Carrying amount at 31 December 2013	**986.348**	**350.984**	**188.740**	**1.202.584**	**1.807.839**	**4.536.495**

	Licence	Customer relationships	Brand	Other intangible assets	Concession rights	Total
Cost						
Opening balance, 1 January 2012	1.478.145	1.002.252	302.540	1.608.356	1.121.291	5.512.584
Transfers	-	-	-	14.124	-	14.124
Disposals	-	-	-	(6.275)	-	(6.275)
Additions [*]	-	-	-	455.510	571.973	1.027.483
Currency translation difference	(12)	(3.513)	-	(4.628)	-	(8.153)
Closing balance, 31 December 2012	1.478.133	998.739	302.540	2.067.087	1.693.264	6.539.763
Accumulated amortization						
Opening balance, 1 January 2012	334.521	474.057	82.586	880.177	201.329	1.972.670
Disposals	-	-	-	(1.312)	-	(1.312)
Transfers	-	124	-	929	-	1.053
Amortization charge for the year	74.742	93.967	15.607	259.404	63.490	507.210
Impairment	6.883	3.175	-	-	-	10.058
Currency translation difference	(1)	(174)	-	9	-	(166)
Closing balance, 31 December 2012	416.145	571.149	98.193	1.139.207	264.819	2.489.513
Carrying amount at 31 December 2012	1.061.988	427.590	204.347	927.880	1.428.445	4.050.250

[*] Additions amounting to TL 462.681 (2011 – TL 571.973) comprise intangible assets under scope of IFRIC 12.
[**] Net book value of research and development costs under other intangible assets is amounting to TL 121.576 (2012 – TL 95.323).

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

23. Intangible assets (continued)

As of 31 December 2013, the Group performed impairment test on intangible assets and it has been concluded that there is no impairment. However the Group identified an impairment loss of TL 10.058 in its intangible assets as of 31 December 2012 (Note 19).

Remaining amortization periods of significant intangible assets are as follows:

Avea license	12,1 years
Avea customer relationships	2,8 years
Avea brand name	12,1 years
TTINT customer relationships	11,8 years
TTINT other	16,8 years

There is no restriction or pledge on the intangible assets except for the Avea brand as at 31 December 2013.

3G license tender

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

On 3 December 2008, following the approval of the ICTA, a draft Concession Agreement has been initiated by Avea and ICTA and delivered to the Council of State to receive its opinions. Subsequent to receiving the opinion of the Council of State, the Concession Agreement is amended accordingly and approved by ICTA. The license fee (including 18% VAT) amounting to TL 539.332 has been paid by Avea in April 2009 and ultimately the Concession Agreement has been signed on 30 April 2009.

The net book value of the 3G license as at 31 December 2013 is TL 367.685 (2012 – TL 391.408).

GSM 900 additional frequency band tender

The tender for the reallocation of unused 900 MHz Frequency Bands had been held on 20 June 2008 and Avea had obtained C band with the minimum fee of TL 128 year /channel (excluding VAT).

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

After receiving State Council's opinions and approval of the board of ICTA, Avea made TL 14.122 (including VAT) payment as the tender fee for the remaining GSM license duration and amended license agreement has been signed between Avea and ICTA on 25 February 2009.

The net book value of the GSM 900 license as at 31 December 2013 is TL 8.549 (2012 – TL 9.256).

24. Provisions

a) Short term provisions

The breakdown of provisions as at 31 December 2013 and 2012 is as follows:

	31 December 2013	31 December 2012
Litigation, ICTA penalty and customer return provisions	**233.938**	241.013
	233.938	241.013

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

24. Provisions (continued)

a) Short term provisions (continued)

The movement of provisions is as follows:

	31 December 2013	31 December 2012
Provisions at 1 January	**241.013**	155.670
Settled provisions	**(66.120)**	(36.326)
Provision for the period	**87.980**	147.832
Reversals	**(30.295)**	(26.120)
Foreign currency translation difference	**1.360**	(43)
Provisions at 31 December	**233.938**	241.013

Detailed explanation related with litigation is given in Note 27.

b) Short-term provisions for employee benefits

	31 December 2013	31 December 2012
Personnel Bonus Provision	**829**	91.022
	829	91.022

In 2013, bonus provision has been provided and reversed TL 1.818 (2012 – TL 97.425) and TL 1.568 (2012 – TL 731) respectively. The Group paid TL 90.769 (2012-TL 79.015) personnel bonus provision. In addition to these, currency translation effect on personnel bonus provision is TL 326 (2012-(TL 10)).

c) Long term employee benefits excluding defined benefit obligation

	31 December 2013	31 December 2012
Unused Vacation Provision	**64.378**	91.435
	64.378	91.435

The movement of provisions is as follows:

	31 December 2013	31 December 2012
Provisions at 1 January	**91.435**	84.256
Settled provisions	**(17.940)**	(4.940)
Provision for the period	**60.828**	67.037
Reversals	**(70.225)**	(54.886)
Foreign currency translation difference	**280**	(32)
Provisions at 31 December	**64.378**	91.435

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

24. Provisions (continued)

d) Other long-term provisions

	31 December 2013	31 December 2012
Provision for the investments under the scope of IFRIC 12	**8.105**	8.783
	8.105	8.783

e) Defined benefit obligation

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

The retirement pay liability as at 31 December 2013 is subject to a ceiling of full TL 3.254,44 (2012 – full TL 3.033,98) per monthly salary for each service year.

The average number of personnel subject to collective agreement as at 31 December 2013 is 13.515 (2012 – 15.338) and the average number of personnel not subject to collective agreement as at 31 December 2013 is 19.374 (2012 – 18.047). The number of personnel as at 31 December 2013 and 2012 were 34.441 and 37.524, respectively.

In addition to retirement benefits, the Company was liable for certain other long-term employment benefits such as business, service, representation indemnity and jubilee.

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

	1 January-31 December 2013	1 January-31 December 2012
Defined benefit obligation at January 1	**749.489**	570.298
Current service cost	**48.719**	37.281
Interest cost	**49.863**	48.346
Actuarial loss/(gain) (*)	**32.957**	109.173
Benefits paid by the group	**(295.859)**	(15.940)
Settlement and curtailment gain (Note 30)	**-**	349
Foreign currency translation difference	**225**	(18)
Liabilities as at 31 December	**585.394**	749.489

(*) As at 31 December 2013, actuarial loss amounting to TL 32.957 (2012–TL 109.173) has been reflected to other comprehensive income.

ii) Total expense recognized in the consolidated income statement:

	1 January-31 December 2013	1 January-31 December 2012
Current service cost	**48.719**	37.281
Interest cost	**49.863**	48.346
Past service cost	**-**	7.703
Total net cost recognized in the consolidated statement of income	**98.582**	93.330
Settlement gain recognized	**-**	349
Total net income recognized in the consolidated statement of income	**-**	349

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

24. Provisions (continued)

e) Defined benefit obligation (continued)

iii) Principal actuarial assumptions use:

	31 December 2013	31 December 2012
Discount rate	% 9.0	%8.5
Expected rate of ceiling increases	% 5.0	%5.0

For the years ahead, voluntary employee withdrawal of the Group changes from %0,62 and %7,06 depending on age. (2012-%0,66-%7,08)

As of 31 December 2013, sensitivity analysis has been performed for the significant assumptions of defined benefit obligation:

	Discount Rate		**Salary Increase Rate**		**Voluntary Employee Withdrawal Rate (A)**	
Sensitivity Level	**%0,25 decrease (%8,75)**	**%0,25 increase (%9,25)**	**%0,25 decrease (%4,75)**	**%0,25 increase (%5,25)**	**%0,25 decrease**	**%0,25 increase**
Net effect to defined benefit obligation	9.158	(7.920)	(8.253)	9.469	3.579	(3.520)

25. Paid in capital, reserves and retained earnings/(accumulated deficit)

As of 31 December 2013 and 2012, the shareholders of the Company with their shareholding percentage are as follows:

	31 December 2013		31 December 2012	
	%	**TL**	%	TL
The Treasury	**30**	**1.050.000**	30	1.050.000
OTAŞ	**55**	**1.925.000**	55	1.925.000
Public share	**15**	**525.000**	15	525.000
		3.500.000		3.500.000
Inflation adjustment to share capital		**(239.752)**		(239.752)
		3.260.248		3.260.248

The Company's share capital is fully paid and consists of 350.000.000.000 shares of 1 kuruş nominal value. OTAS is the holder of Group A shares and the Treasury is the holder of Group B and C Group D shares of the company are open to public and Group C share consists only of a single preferred stock.

The Treasury is the holder of the preferred stock (Golden Share) as per the law. This share is non-transferable. It provides certain rights to Treasury in order to protect national interests regarding economy and security. The holder of the Golden Share has the right to approve any proposed amendments to the Company articles of association, the transfer of any registered shares in the Company which would result in a change in the management control of the Company and the registration of any transfer of registered shares in the Company's shareholders' ledger. The holder of the Golden Share, the Treasury, has one member, representing the Golden Share, among the Board of Directors.

As of 31 December 2013, Citicorp Trustee Company Limited has a pledge over 192.500.000.000 Group A shares belonging to OTAŞ which represent 55% of the total company shares on the name and behalf of the creditors of certain loan agreements.

25. Paid in capital, reserves and retained earnings/(accumulated deficit) (continued)

The OTAŞ Term Loan agreement provides certain limitations with respect to dilution, sale and transfer of shares in OTAŞ, the Company and Avea.

Based on the articles of association of the Company, the board of the directors of the Company shall consist of 12 directors.

The board of directors shall be composed of 12 members nominated by the Shareholders as follows:

(a) The Group A Shareholder shall be entitled to nominate 7 persons for election as Directors;

(b) provided that the Treasury as Group B Shareholder shall hold:

- 30% or more of the shares, the Treasury shall be entitled to nominate 4 persons for election as Independent Board Members who carry the independence criteria as defined in the Capital Market legislation; or
- 15% or more of the Shares (but less than 30% of the Shares) the Treasury shall be entitled to nominate 2 persons for election as Independent Board Members who carry the independence criteria as defined in the Capital Markets legislation;
- During the calculation of 15 % and 30 % of the Shares mentioned in above paragraphs, the amount of Group B Shares and Group D Shares held by the Treasury shall be taken into account together.

(c) as long as the Treasury holds 15% or more of the shares (but less than 30% of the shares), the Group A shareholder shall be entitled to nominate 2 persons, who carry the independence criteria as defined in the Capital Markets legislation, for election as Independent Board Members and 7 persons for election as Director.
(d) while the Treasury holds the C Group Privileged Share, the Treasury shall be entitled to nominate a further 1 person for election as director for the C Group Privileged Share.

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

The meeting quorum at a Board meeting shall be seven of the Directors provided that there shall be at least one Director appointed by the holder of the Group A Shares and one director appointed by the holder of the Group B Shares. If a meeting quorum is not present within half an hour of the time appointed for the meeting or ceases to be present, the director(s) present shall adjourn the meeting to a specified place and time not earlier than five business days after the original date .The meeting quorum at such adjourned meeting shall consist of half of the number of Directors then in office (regardless of the nominating share holder) plus one provided that three business days' notice has been given to all the directors.

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

The board of directors shall propose the distribution of the maximum of the Company's profits lawfully available for distribution in each financial year subject to the board of directors making reasonable provisions and transfers to reserves. Provided that it is not against the legislation regarding capital markets, the net profit may not be distributed, if:

a) the distribution would result in a breach of any covenant or undertaking given by any group company (group companies are defined in the articles of association) to any lender or would, in the opinion of the simple majority of those present at the relevant meeting of the board of directors, be likely to cause such breach within the following 12 months; or

b) the board of directors resolves by way of a simple majority of those present at the relevant meeting of the board that the distribution is materially prejudicial to the interests of any group company defined in the articles of association having regard to: (i) implementation of the investment program approved by the board of directors in the business plan or the budget; or (ii) the trading prospects of the group companies defined in the articles of association and the need to maintain the sound financial standing of the group companies.

In accordance with the Turkish Commercial Code, companies are required to assign legal reserves before profit appropriations. The legal reserve consists of first and second legal reserves, allocated in accordance with the Turkish Commercial Code. The first legal reserve is allocated out of last period's statutory profits at the rate of 5% per annum until the total reserve reaches 1/5 of the paid-in share capital (not indexed to the inflation). The second legal reserve is allocated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. The Company's 2013 consolidated net income has been compared with its statutory net income and TL 1.303.045 was determined as an amount available for dividend distribution.

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25. Paid in capital, reserves and retained earnings/(accumulated deficit) (continued)

Dividends

During the year ended 31 December 2013, remaining balance of 2012 distributable profit after assigning first and second legal reserves, which amounted to TL 2.413.279 (a dividend of full kuruş 0,6895 per share) has been committed to be distributed and distributed in cash to the shareholders.

During the year ended 31 December 2012, remaining balance of 2011 distributable profit after assigning first and second legal reserves, which amounted to TL 1.896.525 (a dividend of full kuruş 0,5419 per share) has been committed to be distributed and distributed in cash to the shareholders.

Other reserves

The amounts transferred directly to equity, instead of income statement as of the balance sheet date are as follows:

	31 December 2013	31 December 2012
Minority put option liability reserve (Note 11)	**(232.807)**	(180.715)
Share based payment reserve (Note 26)	**9.528**	9.528
Difference arising from acquisition of subsidiary	**(858.134)**	(858.134)
Reserve for hedge of net investment in a foreign operation	**(70.388)**	(29.648)
Cash flow hedge reserve	**46.818**	(28.275)
Actuarial loss arising from employee (Note 24)	**(366.997)**	(340.679)
Currency translation differences	**58.105**	31.353
	(1.413.875)	(1.396.570)

Difference arising from acquisition of subsidiary
The acquisition of Avea shares has been effected through four steps in different years (40% in February 2004 through the merger of Aycell with Aria, 0,56% through an equity increase in May 2005 and finally 40,56% through the acquisition of İşTIM shares on 15 September 2006. Therefore, during the accounting of the latest acquisition of 40,56% shares on 15 September 2006, the first two acquisitions comprising a total shareholding of 40,56%, which have been accounted for using the equity method in the financial statements prior to 15 September 2006 have been re-measured to their fair values based on the fair value financial statements of Avea prepared as of 15 September 2006 for the purpose of the purchase price allocation based on IFRS 3. The result of the re-measurement amounting to TL 294.065 has been reflected as “Fair value difference arising from acquisition of subsidiary” in equity. In 2009 and 2012, the Company has increased its ownership within Avea with a rate of 0,19% and 8,87% the difference in minority interest, TL 14.569 and TL 549.500, has been reflected under difference arising from acquisition of subsidiary” in equity.

Reserve for hedge of net investment in a foreign operation
The Company recognizes the differences arising on the translation of monetary items that are associated with the hedge of net investment in a foreign operation in other comprehensive income. (Note 18)

Cash flow hedge reserve
The Group entered into interest rate swaps in order to hedge it position against changes in interest rates. Accordingly, effective fair value changes of these instruments are recognized directly in equity at cash flow hedge reserve. (Note 18)

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

25. Paid in capital, reserves and retained earnings/(accumulated deficit) (continued)

Minority interest

The minority interest represents 10,01% shareholding of İş Bank Group in Avea as at 31 December 2013. As of 31 December 2013, minority interests are classified to other non-current liabilities and are remeasured at fair values based on the Group's accounting policy applied during the accounting of minority put option. The movement of minority interest is as follows:

As of 31 December 2011	-
Reclassification to minority interest	(221.133)
Share of loss generated between 1 January 2012 and 31 December 2012	(43.977)
Minority share in unrealized gain on derivative financial instruments recognized under equity	1.987
Minority share in actuarial gain/(loss) recognized under equity	(500)
Difference due to the change in shareholding rate in a subsidiary	550.468
Reclassification to other non-current liabilities (Note 11)	(286.845)
As of 31 December 2012	-
Reclassification to minority interest	286.845
Share of loss generated between 1 January 2013 and 31 December 2013	(35.947)
Minority share in unrealized gain on derivative financial instruments recognized under equity	193
Minority share in actuarial gain/(loss) recognized under equity	47
Difference due to the change in shareholding rate in a subsidiary	-
Reclassification to other non-current liabilities (Note 11)	(251.138)
As of 31 December 2013	-

Information regarding Avea's nature of operations, place of establishment and rates of non-controlling interests is disclosed in Note 1 and 25.

The total assets, liabilities and equity of Avea as of 31 December 2013 and 2012 and summary statement of profit and loss and cash flow statements for the years then ended are as follows:

	31 December 2013	31 December 2012
Current assets	**1.308.862**	1.478.990
Non-current assets	**4.084.339**	4.086.487
Total Assets	**5.393.201**	5.565.477
Current liabilities	**1.642.908**	1.534.077
Non-current liabilities	**1.239.780**	1.163.943
Equity	**2.510.513**	2.867.457
Total liabilities & equity	**5.393.201**	5.565.477

	31 December 2013	31 December 2012
Revenue	**3.838.112**	3.474.744
Operating expenses	**(3.980.007)**	(3.608.625)
EBITDA	**584.304**	486.005

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

25. Paid in capital, reserves and retained earnings/(accumulated deficit) (continued)

	31 December 2013	31 December 2012
Net cash provided by operating activities	**706.375**	264.775
Net cash used in financing activities	**(203.396)**	519.687
Net cash used in investing activities	**(672.299)**	(734.929)
Net increase/ (decrease) in cash and cash equivalents	**(169.320)**	49.533

Earnings per share

The calculation of the basic earnings per share attributable to the ordinary equity holders of the Company is as follows:

	1 January- 31 December 2013	1 January- 31 December 2012
Weighted average number of ordinary shares outstanding during the year	**350.000.000.000**	350.000.000.000
Net profit for the year attributable to equity holders of the Company	**1.303.045**	2.637.107
Basic and earnings per share (in full kuruş)	**0,3723**	0,7535

26. Share based payment

According to the Turkish Council of Ministers decision dated 12 December 2007, which was published in the Turkish Official Gazette on 26 December 2007, 52.500.000.000 (45%) shares of Türk Telekom owned by the Treasury, the minority shareholder of Türk Telekom, has been sold as at 15 May 2008, through an initial public offering (“IPO”) (such shares correspondence to corresponding to 15% Türk Telekom’s shares). During the IPO, 12.299.160.300 of such shares have been allocated to the employees of Türk Telekom, PTT and small investors together with 5.220.503.800 shares allocated to domestic investors with high purchasing power with discounted price varying according to the payment terms and application date (compared to the price applied to the other corporate investors for the remaining shares of 34.980.335.900. The discounts provided to Türk Telekom employees have been considered as within the scope of IFRS 2 (“Share Based Payment”) by the management of Türk Telekom considering the fact that Türk Telekom receives services from its employees. The Group has reflected the fair value of the discounts provided to Türk Telekom employees, amounting to TL 9.528, as an expense in the consolidated income statement for year ended 31 December 2008 and credited the same amount into the equity as a share based payment reserve.

The market price during the IPO	TL 4,60
The average price applied to the employees of Türk Telekom	TL 4,2937
The number of shares sold to Türk Telekom’s employees (lot)	31.104.948
Total benefits provided to the employees	TL 9.528

The management of Türk Telekom decided that the discounts provided to PTT’s employees, small investors and domestic investors with high purchasing power are not within the scope of IFRS 2 by considering the fact that;

a) Türk Telekom has not received any benefits (goods and services) in exchange for the discounts provided these groups to and
(b) the Treasury provided these discounts not as a party acting as a shareholder of Türk Telekom but rather as a State Authority in order to increase the number of small investors as it has been done in all other privatization enhanced through an IPO.

The fair value of the discounts provided to these groups amounts to approximately TL 34.000 in 2008, at the year of the transaction.

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.1))

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

27. Commitments and contingencies

Guarantees received and given by the Group are summarized below:

		31 December 2013		31 December 2012	
		Original currency	**TL**	Original currency	TL
Guarantees received	**USD**	**216.791**	**462.697**	276.378	492.671
	TL	**703.026**	**703.026**	718.981	718.981
	Euro	**100.158**	**294.114**	92.155	216.721
	Sterling	**8**	**28**	8	23
			1.459.865		1.428.396
Guarantees given (*)	**USD**	**164.232**	**350.520**	160.402	285.933
	TL	**144.141**	**144.141**	171.901	171.901
	Euro	**19.822**	**58.207**	14.678	34.518
	Other	**41**	**27**	-	-
Total			**552.895**		492.352

(*) US Dollar 151.500 of the amount (2012–USDollar 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 (2012 – Euro 12.840) license.

The Company’s guarantee, pledge and mortgage (GPM) position as at 31 December 2013 and 31 December 2012is as follows:

GPMs given by the Company	**31 December 2013**	31 December 2012
A.GPMs given on behalf of the Company's legal personality	**552.696**	2.324.106
B.GPMs given in favor of subsidiaries included in full consolidation	**136.160**	1.535.164
C.GPMs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	**-**	-
D.Other GPMs	**23.492**	18.814
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**	18.814
iii. GPMs given in favor of third party companies not in the scope of C above	**-**	-
Total	**712.348**	3.878.084

GPMs given by the Group as at 31 December 2013 are equivalent to 0,44% of the Company’s equity (31 December 2012 – 0,29%).

Based on law 128/1 of Turkish Code of Obligations, Avea has given TL 329.839 amounted guarantee to distributors for the financial obligation that would arise during the purchase of devices that will be sold as commitment sales by Avea (31 December 2012 – TL 50.000).

27. Commitments and contingencies (continued)

Other commitments

The Group has purchase commitments for sponsorships and advertising services at the amount of 60.971 US Dollar, 1.385 Euro and TL 2.460, equivalent to TL 136.656 (31 December 2012 – TL 200.663) as at 31 December 2013. Payments for these commitments are going to be made in a 7-year period.

Türk Telekom concession agreement

The Concession Agreement was entered into between the Company and ICTA on 14 November 2005 following the privatization of the Company and the resultant reduction in the public shareholding to less than 50%. The Concession Agreement covers:

- the provision of all kinds of telecommunications services;
- the establishment of necessary telecommunications facilities and the submission of these facilities to the use of other operators;
- the marketing and supply of telecommunications services.

The Concession Agreement places an obligation on the Company, in the event of expiry, non-renewal or termination of the Concession Agreement, to transfer all equipment affecting the operation of the telecommunications network, together with all immovable properties where such equipment is installed, to the ICTA, at no cost, and in good condition.

The ICTA may terminate the Concession Agreement following a court decision on bankruptcy against the Company (or a declaration of concordat by the Group) or an unredeemed breach of obligations. However, the Company must be given a grace period of at least 90 days in order to remedy any breach. Within any such grace period granted by the ICTA, the Company must submit to the ICTA a recovery program with respect to its contractual obligations. It is only if this program is not accepted by the ICTA that the ICTA then has the right to terminate the Concession Agreement.

The Concession Agreement places also a number of general obligations on the Company in relation to the provision of telecommunications services.

In relation to fees, the Concession Agreement requires the Company to meet all payments accrued as a result of applicable legislation or agreements with the Government of the Republic of Turkey. This specifically includes license and utilization fees for the use of radio frequencies. In addition, the Company is required to pay the ICTA 0,35% of its annual revenue, as a contribution towards the ICTA's expenses.

Under the Concession Agreement, the Company must comply with requests from other operators for access and/or interconnection without discrimination and to the extent technically possible. The Company is further required to publish a reference access and interconnection offer approved by the ICTA. The Concession Agreement also contains an obligation on the Company to provide services in compliance with any regulations made by the ICTA in accordance with the law on the Provision of Universal Services. According to the relevant legislation, the Company must pay an annual fee of 1% of revenues for the Universal Service Fund.

The tariffs to be charged by the Company must be calculated on a cost-orientated basis, without discrimination, and are subject to the approval of the ICTA unless expressly provided to the contrary in any regulation issued by the ICTA. The specific content of customer bills is governed by regulation. However, the cost of each service provided to a customer must be identified and a detailed bill must be sent to the customer on request, to the extent technically possible and subject to the payment of a fee.

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

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

A concession agreement was entered into between Avea and the ICTA ("the Avea Concession Agreement") on 12 January 2005 which replaced and superseded the previous GSM 1800 license agreements in place in relation to Aycell and Aria. After GSM 900 Frequency Band bidding done by ICTA on June 20, 2008, agreement was rearranged.

27. Commitments and contingencies (continued)

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

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

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

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

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

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

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

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

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

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

Fund payable to the Treasury

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

Contribution share to the ICTA

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

Coverage area

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

Avea has completed its related liabilities with respect to coverage at 31 December 2004.

27. Commitments and contingencies (continued)

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

Service offerings

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

Service quality

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

Tariffs

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

Emergencies

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

Investment plans

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

National roaming

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

Suspension of operations

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

Termination of the agreement by the ICTA

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

i) A final judgment of the competent courts for insolvency of Avea or its composition with creditors,
ii) Determination of the failure of Avea to perform its contractual obligations hereunder and to remedy its default in a reasonable period of time granted,
iii) Determination that Avea extends its activities beyond the frequencies allocated hereunder or other frequencies that may be allocated by the ICTA to Avea for use in the GSM 1800 System, and failure of Avea to cease such activities in a reasonable period of time granted,
iv) Failure of Avea to pay the license fees hereunder.

27. Commitments and contingencies (continued)

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

Termination of the agreement by the ICTA (continued)

However, that except for point (iv) above, Avea will be given the opportunity to fulfill its obligations within a period not less than 90 days of written notice by the ICTA. During this period of time, Avea will furnish to the ICTA a corrective action program for fulfillment of its obligations. If this program is accepted by the ICTA, the points of disagreement will be revised at the end of the program. If this program is not acceptable, the ICTA may terminate the Agreement at the end of the time period provided to Avea.

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

Insurance

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

By-Law on Authorization for Electronic Communications Sector

Avea is obligated to deposit the usage right fee (including VAT) arising from dedication of the numbers and frequencies for itself to the accounting department in order to record as income for the Treasury by the end of January for every year and also to send the receipt of the payment to the ICTA.

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

The Concession Agreement with ICTA has been signed on 30 April 2009 and Avea has been granted with 3G license for an amount of Euro 214.000 excluding VAT. The term of the license is 20 years effective from the signature date of the Agreement. 3G services have been launched on 30 July 2009. According to this Agreement;

- Avea shall provide subscribers' and users' 112 calls and other emergency situation calls to public security institutions and other public institutions, and to direct those calls to the centers requested by the said institutions, free of charge bearing all costs.
- Avea shall keep at least 2 units of IMT-2000/UMTS mobile base stations to be used in emergency situations under the request of the Ministry of Transport Maritime Affairs and Communication.
- Within the first 5 years by the signature of the Agreement, Avea shall obtain the approval of the ICTA for each assignment of Avea shares in ratio exceeding 10% to persons and entities other than the current shareholders and subsidiaries of the current shareholders. Any type of share assignment leading a change in the control of Avea shall be subject to the approval of the ICTA.
- Avea has granted a bank letter of guarantee amounting to Euro 12.840 which is 6% of the license fee, for to act as final guarantee. Due to Avea is understood to not perform its contractual obligations; ICTA shall record and confiscate the final guarantee as income. In such confiscation of final guarantee as income is realized, Avea shall grant new final guarantee within 30 days. Should the new final guarantee not granted within the mentioned period, the Agreement might be terminated.
- During the term of the Agreement, Avea shall each year submit its investment plan related to the subsequent calendar year, till 1 November to the ICTA. This plan shall be prepared for three years and shall include such information as the number, location, coverage areas, investment costs with respect to exchange centers, base stations and control stations to be established, as well as the realization ratio of the previous year's investment plan and reasons of deviation, if any.
- Avea will pay an amount equal to 15% of the gross sales on a monthly basis to the Treasury, except for the default interest imposed on their subscribers for their late payments, indirect taxes, financial obligations such as charges and fees, and the accrual amounts accounted for reporting purposes.
- Avea shall pay 0,35% of the gross sales to the ICTA as contribution share to the ICTA's expenses, latest on the last working day of April of the following year.

Coverage Area Obligations:

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

- metropolitan municipalities within 3 years,
- all the municipalities of all provinces and districts within 6 years,
- all the residential locations having a population of more than 5.000 within 8 years,
- residential locations having a population of more than 1.000 within 10 years.

27. Commitments and contingencies (continued)

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

Coverage Area Obligations (continued):

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

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

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

If there is any delay in fulfillment of the coverage area obligations, except the force major conditions, an administrative fine shall be applied within the frame of Relevant Legislation. If there is any delay in fulfillment of the coverage area obligations for a period of more than two years, then the Agreement might be terminated by the ICTA.

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

Except for the investments made in the lease of place, towers, piles, pipes, containers, channels, energy transfer lines and similar infrastructure plants; each year Avea shall fulfill the following requirements for its investments related to electronic communications network (hardware, software etc.);

a) To procure at least 40% of such investments from vendor companies employing a R&D center established in Turkey and engaged in developing R&D projects in relation with the information and communication technologies provided at least 200 engineers functioning in such company in the first year after the signature of the Agreement, at least 300 engineers in the second year and at least 500 engineers for the third and subsequent years or from vendor companies employing a R&D center with at least 150 engineers functioning in the first year after the signature of the Agreement, at least 250 engineers in the second year and at least 350 engineers for the third and subsequent years however such company to employ also a Technical Assistance Centre with at least 50 engineers in the said first year, at least 100 engineers in the second year and at least 150 engineers in the third and subsequent years.

   A vendor company may not establish the R&D center and Technical Assistance Centre together with another vendor company; but may establish with a company, organization or institution resident in Turkey. The vendor company shall have at least 50% share of such centers. Said organization or institution resident in Turkey shall not employ other R&D centers and Technical Assistance Centers that have been established together with other vendor companies functioning in information and communication technologies area.

   The university associates may also be employed part time, as engineers to be employed by the vendor company. The number of the university associates may not exceed 5% of the total number of engineers stated above.

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

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

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

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

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

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

27. Commitments and contingencies (continued)

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

The Termination of the Agreement by ICTA

Termination of the Agreement by ICTA:

The Authority might terminate the Agreement for the following reasons;

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

In such circumstances, ICTA gives Avea the opportunity to fulfill its obligations within 90 days after the written notice. In case Avea cannot fulfill all the obligations within this period, the Agreement will be terminated by ICTA. The license fee or any other fee is not reimbursable in case of a termination of agreement. In the case of cancellation of agreement by ICTA, Avea will alienate all data and documents which constitute system, software affecting the running of system (including tower, beam, blare, container, channel, energy transmission lines, antenna etc), stated and in the usage of Avea to ICTA or to the entity ICTA enounces by making sure that there is no pledge, mortgage, levy and related legal blockages on them and they are free of cost and works free of problems.

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 year ended 31 December 2013, additional provision has been recognized at the amount of TL 32.235 and a reversal at the amount of TL 52.134 has been recorded in the consolidated financial statements. Total provision in relation to these litigations amounted to TL 83.501, including for principal and interest, as of 31 December 2013 (31 December 2012–TL 103.400).

The Dispute arising out of Turkcell's illegal voice traffic through Milleni.com

The lawsuit was filed against Turkcell for the reason that Turkcell carried voice traffic through Milleni.com GmbH, a company based in Germany, by breaching the Network Interconnection and Cooperation Agreement between Turkcell and the Company and that caused damage amounting to TL 450.931 to the Company. In the hearing of the lawsuit dated 5 November 2009, the 7th Commercial Court of First Instance of Ankara decided unanimously in favor of the Company and partially accepted the Company's claims.

Consequently, Turkcell was condemned to pay a total of TL 279.227, (TL 137.733 of which is the principal amount and TL 141.494 of which is the default interest that was computed as of the resolution date) to the Company. Furthermore, beside the default interest to be added to the principal amount which shall be calculated on the basis of Turkish Central Bank commercial advance interest rate as from the filing date namely 5 August 2005, according to clause 12.3 of the Network Interconnection and Cooperation Agreement signed between Turkcell and the Company and amended by clause IX of the Annex Protocol dated 20 September 2003, a default penalty of 10% shall also be applied.

27. Commitments and contingencies (continued)

Legal proceedings of Türk Telekom (continued)

The Dispute arising out of Turkcell's illegal voice traffic through Milleni.com (continued)

Both parties appealed against this decision of the first instance court. In the appellate review, both the 11th and 13th Civil Chambers of the Supreme Court rendered lack of jurisdiction decisions for their Chambers. The Council has designated 19th Civil Chamber as competent by its decision dated 23 September 2010, numbered E:2010/740 and K:2010/900. The 19th Chamber announced its decision No: 2010/11229-2011/4716 on 11 April 2011 and with the decision taken by the Supreme Court of Appeals as a result of the appellate review, it was approved that Türk Telekom is right, stating that Turkcell violated the Company's monopoly right and this is against law and the interconnection agreement between Turkcell and Türk Telekom. In addition, it was stated in the Court decision that the objections by both parties against the expert reports regarding the calculation of compensation and objections to the first instance court are not fully responded and covered thereby and therefore it is decided that the file will be returned to first instance court in order to enable an expert calculation which is in line with Court review. Turkcell on 11 March 2011 and Türk Telekom on 25 March 2011 applied to -revision of decision mechanism against the aforementioned Supreme Court of Appeals decision. By the decision of 19th Chamber of Supreme Court, dated 3 October 2011 and numbered E.2011/8668 and K.2011/11802, appeal demand of both parties has been rejected. With its decision related to appeal demand, 19th Chamber of Supreme Court, has made the final decision that Turk Telekom is justified about lawsuit and indicated that the first degree court should determine the amount of indemnification. Thus, the case is again returned to Ankara 7th Commercial Court. At the trial dated 30 May 2012 of the case that has been registered to folder number E.2011/644, one month period has been given to the parties for the submission of the opinions for surveyor examination. The folder is on the surveyor examination and the examination on-site has been done by the surveyors at Turkcell Headquarter on 5 May 2013. At the court dated 20 November 2013, it has been stated that surveyor report has not received yet, and a new court date has been determined for 6 April 2014.

In the consolidated financial statements, the Company has not accrued income accrual for this case to be prudent, since the case is still in progress.

Disputes between the Company and its former personnel

Within the scope of the ongoing restructuring of the personnel organization of the Company in order to achieve the number of personnel identified, the contracts of the employees who are entitled for retirement and whose service are not needed have been terminated based on the Board of Directors Decision. Accordingly, certain number of those employees has filed re-employment lawsuits against the Company. Some of the lawsuits terminated against the Company while the remaining cases are still ongoing. Provision amounting to TL 6.566 (31 December 2012 – TL 6.766) has been provided as of 31 December 2013 for the ongoing cases.

Disputes between the Company and Municipalities

Total amount filed against the Company by Municipalities as contribution to the infrastructure investment and municipality share is TL 17.910. A cumulative provision amounting to TL 52.236 (31 December 2012 – TL 49.739) including the nominal amount and legal interest charges has been recognized as at 31 December 2013.

Disputes between the Group and the ICTA

The Company has filed various lawsuits against ICTA. These lawsuits are related with the sector-specific and tariff legislations and legislations with respect to the other operators in the market. The sector-specific disputes generally stem from the objections with respect to the provisions of interconnection legislation, legislation with respect to telecommunication services and infrastructure. As of 31 December 2013 TL 59.364 provision provided for ICTA penalties and amounts to be repaid to customers due to ICTA resolutions (31 December 2012-TL 60.519).

Other issues

Provision has been provided in the consolidated financial statements for the probable court cases against the Group based on the lawyers' assessments. The provision for such court cases is amounting to TL 32.271 as at 31 December 2013 (31 December 2012 – TL 20.589). For the rest of the cases, Group lawyers commented that basis of those cases are not realistic and should be appealed. Therefore, no provision has been provided for these cases.

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

28. Events after the balance sheet date

As of reporting date, US Dollar/TL and Euro/TL rates is 2,2634 and 3,0557, respectively (31 December 2013 – 2,1343 and 2,9365, respectively)

29. Operating expenses (including cost of sales)

	1 January- 31 December 2013	1 January- 31 December 2012
Cost of sales (-)	**(6.834.646)**	(6.261.316)
Marketing, sales and distribution expenses (-)	**(1.729.423)**	(1.663.362)
General administrative expenses (-)	**(1.572.310)**	(1.503.956)
Research and development expenses (-)	**(38.934)**	(31.177)
	(10.175.313)	(9.459.811)

30. Operating expenses (based on their nature)

	1 January- 31 December 2013	1 January- 31 December 2012
Personnel expenses	**(2.193.345)**	(2.098.885)
Taxes and regulation authorities expenses	**(882.286)**	(838.717)
Domestic interconnection	**(956.047)**	(832.647)
Commission expenses	**(560.746)**	(487.866)
Repair and maintanance expenses	**(506.652)**	(433.574)
IFRIC 12 related fixed assets additions and capex provision expenses	**(408.774)**	(503.436)
Advertisement expenses	**(384.571)**	(419.021)
Rent expenses	**(383.133)**	(376.221)
International interconnection	**(362.298)**	(328.181)
Utilities	**(362.884)**	(328.178)
Cost of Sales of technology companies	**(202.840)**	(193.846)
Outsources services	**(279.310)**	(123.298)
Bill distribution expenses	**(145.407)**	(140.056)
Doubtful receivable expenses	**(126.105)**	(13.916)
Content expenses	**(75.189)**	(61.910)
Revenue sharing project expenses	**(60.480)**	(45.235)
Promotion expenses	**(54.767)**	(144.747)
Consulting expenses	**(34.939)**	(56.723)
Vehicles expenses	**(46.963)**	(40.115)
Court expert expenses	**(47.219)**	(36.319)
Management Fee	**(23.944)**	(19.968)
Other expenses	**(297.870)**	(240.300)
Total operating expenses (excluding depreciation and amortization expense)	**(8.395.769)**	(7.763.159)
Depreciation, amortization and impairment	**(1.779.544)**	(1.696.652)
Total operating expenses	**(10.175.313)**	(9.459.811)

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

31. Other operating income/(expenses)

	1 January- 31 December 2013	1 January- 31 December 2012
Interest and rediscount gains	**142.458**	162.313
Foreign exchange gains	**121.868**	175.503
Income from litigation	**36.195**	32.195
Indemnity income	**28.790**	27.954
Commissions income	**5.659**	10.418
Rental income	**4.719**	4.576
Curtailment and settlement gain	**-**	349
Other	**57.960**	52.520
Other operating income	**397.649**	465.828
Foreign exchange losses	**(166.904)**	(149.247)
Litigation Provision and Substituted Penalty Expenses	**(97.954)**	(68.602)
Interest and rediscount losses	**(57.832)**	(77.740)
Special Consumption Tax and other expenses	**(2.838)**	(8.804)
Other	**(55.228)**	(69.458)
Other operating expense (-)	**(380.756)**	(373.851)

32. Income/expense from Investing Activities

	1 January- 31 December 2013	1 January- 31 December 2012
Gain from scrap sales	**176.236**	129.955
Gain from fixed asset sales	**49.521**	54.430
Income from investing activites	**225.757**	184.385
Loss from fixed asset sales	**(10.903)**	(12.133)
Expense from investing activites	**(10.903)**	(12.133)

33. Financial income/(expense)

	1 January- 31 December 2013	1 January- 31 December 2012
Foreign exchange losses	**(1.742.780)**	(295.005)
Interest expense	**(263.814)**	(311.948)
Loss on derivative instruments	**(33.815)**	(30.085)
Other	**(55.145)**	(41.781)
Financial expense	**(2.095.554)**	(678.819)
Foreign exchange gains	**498.146**	471.905
Interest income on bank deposits and delay charges	**48.023**	43.782
Gain on derivative instruments	**7.552**	18.265
Other	**2.016**	709
Financial Income	**555.737**	534.661
Financial (expense) net	**(1.539.817)**	(144.158)

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

34. Taxation on income

	31 December 2013	31 December 2012
Corporate tax payable:		
Current corporate tax provision	**327.530**	757.070
Prepaid taxes and funds (-)	**(272.312)**	(631.665)
Tax payable	**55.218**	125.405

	1 January- 31 December 2013	1 January- 31 December 2012
Tax expense:		
Current tax expense :		
Current income tax expense	**(337.715)**	(754.988)
Adjustments in respect of income tax of previous year	**(14.566)**	(6.249)
Deferred income/(expense) (Note 14) :		
Deferred tax expense due to derecognition of deferred tax asset	**-**	(6.500)
Deferred tax income due to tax losses	**14.775**	284
Deferred (expense)/income tax credit	**(101.979)**	(5.819)
	(439.485)	(773.272)

As of 31 December 2013, deferred tax amounting to TL (11.654) (2012 – TL 27.457) and TL 10.185 amounted current tax were recognized under the consolidated statement of other comprehensive income.

The Company and its subsidiaries located in Turkey are subject to taxation in accordance with the tax regulations and the legislation effective in Turkey where the Group companies operate. In Turkey, the corporation tax rate is 20% (2012– 20%). Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% (2012 – 20%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

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

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

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

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

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

34. Taxation on income (continued)

The dividend income (excluding the participation certificates of investment funds and profit shares derived from the share certificates of investment trusts) derived by entities from the participation in the capital of another resident entity is exempt from corporate tax. Furthermore, 75% of the income derived by entities from the sale of participation shares, immovable property, preferential rights, founders' shares and redeemed shares which are carried in assets at least for two years is exempt from corporate tax. In order to be able to benefit from the exemption, the relevant income should be kept under a fund account in the liabilities and should not be withdrawn from the enterprise for 5 years. The sales amount should be collected by the end of the second calendar year following the year of sale.

The reconciliation between tax expense and the product of accounting profit multiplied by applicable tax is as follows:

	1 January– 31 December 2013	1 January– 31 December 2012
Profit before tax	**1.706.583**	3.366.402
Tax at the corporate tax rate of 20%	**341.317**	673.280
Tax effects of:		
- expenses that are not deductible in determining taxable profit	**45.346**	50.435
- tax rate difference of subsidiaries	**2.179**	2.825
- deferred tax asset recognized from tax losses carried forward by subsidiaries	**14.775**	6.216
- adjustments and tax losses of subsidiaries not subject to deferred tax	**35.868**	40.516
Tax expense for the year	**439.485**	773.272

Investment Incentives

Avea has obtained investment incentive certificates from the Turkish government authorities in connection with certain major capital expenditures, which entitle Avea, among other things, to:

a) A 100% exemption from customs duty on machinery and equipment to be imported,
b) An investment allowance of 100% on approved capital expenditures,

The investment allowance indicated in (b) above is deductible from current or future taxable profits for the purposes of corporation tax; however, such investment allowances are subject to a withholding tax. At 31 December 2013, investment allowances amount to TL 5.502.178 (2012-TL 5.275.362). Unrecognized deferred tax asset is TL 64.510 (2012 – TL 60.570).

The Law foresaw that the taxpayers that have investment allowance rights obtained under the scope of the previous provisions valid before 24 April 2003 and the provisions of the amended article 19 of the Income Tax Law (amended with Law No 4842) that were effective until 31 December 2005 would be able to utilize their investment allowance rights only for their income generated in the years 2006, 2007, and 2008.

However on 15 October 2009, the Constitutional Court decided to cancel the phrases which abolish the investment allowances after 2008 and limit the use of investment allowance incentive allowance with the years 2006, 2007 and 2008. The annulment decision is effective after being published in the Official Gazette no 27456 dated 8 January 2010. Accordingly, Avea may utilize those unused incentive in the future.

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35. Financial risk management objectives and policies

Financial risk policies of the Group are managed centrally with the support of a committee. All Group companies meet their cash needs determined in business plans approved by their boards, by using credits or capital increase with guidance of the central management. The Group may choose long or short term financing according to their financing needs and market assumptions.

The Group's risk management policies are designed to identify and analyze the risks faced by the Group, to determine appropriate risks limits and controls, and to observe commitment to these limits. Risk management policies and systems are constantly under review to reflect changes in the Group's activities and market conditions.

Financial risk factors

The Group's principal financial instruments comprise forward market transactions, bank loans and cash and short-term deposits. The main purpose of these financial instruments is to raise funds for the Group's operations and to hedge interest rate risk. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The board reviews and agrees to policies for managing each of these risks.

Credit risk

	Receivables						
	Trade receivables		Other receivables				
As of 31 December 2013	**Related Parties**	**Third Parties**	**Related Parties**	**Third Parties**	**Deposits at banks**	**Derivative instruments**	**Other**
Maximum credit risk exposed to as at 31 December 2013 (A+B+C+D+E)	**35.927**	**3.125.881**	**-**	**152.985**	**1.053.179**	**60.061**	**-**
- Guaranteed portion of the maximum risk	**-**	**22.760**	**-**	**-**	**-**	**-**	**-**
A. Carrying amount of financial assets not overdue or not impaired	**35.927**	**2.048.236**	**-**	**152.985**	**1.053.179**	**60.061**	**-**
B. Carrying amount of financial assets with rediscussed conditions, that are considered overdue or impaired if not rediscussed	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C. Carrying amount of financial assets overdue but not impaired	**-**	**1.077.645**	**-**	**-**	**-**	**-**	**-**
-Amount secured via guarantees	**-**	**-**	**-**	**-**	**-**	**-**	**-**
D. Carrying amount of assets impaired	**-**	**-**	**-**	**-**	**-**	**-**	**-**
-Overdue (gross book value)	**-**	**1.531.544**	**-**	**23.887**	**-**	**-**	**-**
-Impairment (-)	**-**	**(1.531.544)**	**-**	**(23.887)**	**-**	**-**	**-**
E. Off balance sheet items with credit risk	**-**	**-**	**-**	**-**	**-**	**-**	**-**

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

35. Financial risk management objectives and policies (continued)

Credit risk (continued)

	Receivables						
	Trade receivables		Other receivables				
As of 31 December 2012	Related Parties	Third Parties	Related Parties	Third Parties	Deposits at banks	Derivative instruments	Other
Maximum credit risk exposed to as at 31 December 2012 (A+B+C+D+E)	13.403	2.646.479	-	166.466	959.926	3.226	-
- Guaranteed portion of the maximum risk	-	45.664	-	-	-	-	-
A. Carrying amount of financial assets not overdue or not impaired	13.403	1.654.326	-	166.466	959.926	3.226	-
B. Carrying amount of financial assets with rediscussed conditions, that are considered overdue or impaired if not rediscussed	-	-	-	-	-	-	-
C. Carrying amount of financial assets overdue but not impaired	-	992.153	-	-	-	-	-
-Amount secured via guarantees	-	-	-	-	-	-	-
D. Carrying amount of assets impaired	-	-	-	-	-	-	-
-Overdue (gross book value)	-	1.315.324	-	33.872	-	-	-
-Impairment (-)	-	(1.315.324)	-	(33.872)	-	-	-
E. Off balance sheet items with credit risk	-	-	-	-	-	-	-

Financial losses due to Group's receivables and financial assets which result from not implementing agreement clauses related to financial assets by a customer or other party constitutes credit risk.

When determining the credit risk exposure as at the balance sheet date, items like guarantees received, which increase the credit worthiness have not been considered. The aging for assets overdue but not impaired for has been provided in Note 8.

As of 31 December 2013, there is no significant credit risk of Company. The maximum credit risk Company exposure is reflected by presenting all financial assets from carrying amount on consolidated balance sheet.

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

35. Financial risk management objectives and policies (continued)

Liquidity risk

Liquidity risk is uncertainty to cover future financial obligations.

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

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

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2013 and 2012 based on contractual undiscounted payments (including interest payments not due yet).

Contract based maturities as at 31 December 2013	**Book value**	**Total contract based cash outflow (=I+II+III+IV)**	**Less than 3 months (I)**	**3 to 12 months (II)**	**1 to 5 Years (III)**	**More than 5 years (IV)**
Non-derivative financial liabilities						
Financial liabilities	**8.306.379**	**9.178.591**	**725.909**	**1.757.629**	**5.410.002**	**1.285.051**
Obligations under finance leases	**27.129**	**29.124**	**2.813**	**8.111**	**18.200**	**-**
Trade payables	**1.737.748**	**1.737.748**	**1.719.563**	**18.185**	**-**	**-**
Other payables	**66.986**	**66.986**	**66.986**	**-**	**-**	**-**
Related parties	**9.881**	**9.881**	**9.881**	**-**	**-**	**-**
Minority put option liability	**483.946**	**537.180**	**-**	**-**	**537.180**	**-**
Derivative financial liabilities (net)	**24.665**	**24.665**	**1.536**	**11.339**	**(7.721)**	**19.511**

Contract based maturities as at 31 December 2012	Book value	Total contract based cash outflow (=I+II+III+IV)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 Years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Financial liabilities	6.010.044	6.564.831	602.035	859.975	4.260.104	842.717
Obligations under finance leases	27.750	30.551	1.542	6.872	22.137	-
Trade payables	1.653.900	1.657.569	1.572.876	66.605	18.088	-
Other payables	54.819	54.819	54.819	-	-	-
Related parties	7.603	7.603	7.603	-	-	-
Minority put option liability	467.561	586.508	-	-	586.508	-
Derivative financial liabilities (net)	38.931	37.056	4.082	2.025	38.158	(7.209)

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

35. Financial risk management objectives and policies (continued)

Foreign currency risk

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

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

As of 31 December 2013	**Profit/Loss**		**Comprehensive Income**	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Appreciation of USD against TL at 10%:				
1- USD net asset/liability	(479.117)	479.117	(4.159)	4.159
2- Portion protected from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	**(479.117)**	**479.117**	**(4.159)**	**4.159**
Appreciation of Euro against TL at 10%:				
4- Euro net asset/liability	(333.069)	333.069	(13.231)	13.231
5- Portion protected from Euro risk (-)	-	-	-	-
6- Euro net effect (4+5)	**(333.069)**	**333.069**	**(13.231)**	**13.231**
Appreciation of JPY against TL at 10%:				
7- JPY net asset/liability	(10.049)	10.049	(5)	-
8- Portion protected from JPY risk (-)	10.049	(10.049)	5	-
9- JPY net effect (7+8)	**-**	**-**	**-**	**-**
Appreciation of other foreign currencies against TL at 10%:				
10- Other foreign currency net asset/liability	53	(53)	-	-
11- Portion protected from other foreign currency (-)	-	-	-	-
12- Other foreign currency net effect (10+11)	**53**	**(53)**	**-**	**-**
Total (3+6+9+12)	**(812.133)**	**812.133**	**(17.390)**	**17.390**

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

35. Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

As of 31 December 2012	Profit/Loss		Comprehensive Income	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Appreciation of USD against TL at 10%:				
1- USD net asset/liability	(296.168)	296.168	(329)	329
2- Portion protected from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(296.168)	296.168	(329)	329
Appreciation of Euro against TL at 10%:				
4- Euro net asset/liability	(280.470)	280.470	(23.817)	23.817
5- Portion protected from Euro risk (-)	-	-	-	-
6- Euro net effect (4+5)	(280.470)	280.470	(23.817)	23.817
Appreciation of JPY against TL at 10%:				
7- JPY net asset/liability	(10.305)	10.305	-	-
8- Portion protected from JPY risk (-)	-	-	-	-
9- JPY net effect (7+8)	(10.305)	10.305	-	-
Appreciation of other foreign currencies against TL at 10%:				
10- Other foreign currency net asset/liability	197	(197)	-	-
11- Portion protected from other foreign currency (-)	-	-	-	-
12- Other foreign currency net effect (11+12)	197	(197)	-	-
Total (3+6+9)	(586.746)	586.746	(24.146)	24.146

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

35. Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

	31 December 2013						31 December 2012					
	TL Equivalent	US Dollar	Euro	JPY	GBP	Other	TL equivalent	USD	Euro	JPY	GBP	Other
1. Trade receivables	329.205	65.864	63.986	-	-	1.293	180.368	42.128	44.436	-	-	1.612
2a. Monetary financial assets (Cash and banks accounts included)	296.736	19.294	87.018	556	5	-	306.121	141.317	22.491	-	459	-
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-	-	-
3. Other	52.969	1.066	17.264	-	-	-	20.934	3.152	6.499	-	11	-
4. Current assets (1+2+3)	678.910	86.224	168.268	556	5	1.293	507.423	186.597	73.426	-	470	1.612
5. Trade receivables	-	-	53	-	-	-	-	-	436	-	-	-
6a. Monetary financial assets	64.598	27.620	1.912	1.691	-	-	205	-	87	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-	-	-
7. Other	938	213	165	-	-	-	529	71	171	-	-	-
8. Non-current assets (5+6+7)	65.536	27.833	2.130	1.691	-	-	734	71	694	-	-	-
9. Total assets (4+8)	744.446	114.057	170.398	2.247	5	1.293	508.157	186.668	74.120	-	470	1.612
10. Trade payables	619.533	213.203	55.948	-	63	7	573.803	201.188	91.407	-	57	(2)
11. Financial liabilities	2.188.106	427.448	423.043	1.657.782	-	-	1.049.724	366.408	168.302	37.201	-	-
12a. Monetary other liabilities	45.427	5.930	11.160	-	-	-	45.504	8.151	13.171	-	-	-
12b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-	-	-
13. Short-term liabilities (10+11+12)	2.853.066	646.581	490.151	1.657.782	63	7	1.669.031	575.747	272.880	37.201	57	(2)
14. Trade payables	-	-	-	-	-	-	-	-	-	-	-	-
15. Financial liabilities	6.003.327	1.727.072	766.283	3.314.094	-	-	4.602.215	1.268.821	951.708	4.951.728	-	-
16 a. Monetary other liabilities	90.428	31	30.772	-	-	-	84.012	314	35.485	-	-	-
16 b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-	-	-
17. Long-term liabilities (14+15+16)	6.093.755	1.727.103	797.055	3.314.094	-	-	4.686.227	1.269.135	987.193	4.951.728	-	-
18. Total liabilities (13+17)	8.946.821	2.373.684	1.287.206	4.971.876	63	7	6.355.258	1.844.882	1.260.073	4.988.929	57	(2)
19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b)	101.155	-	-	5.000.000	-	-	-	-	-	-	-	-
19a. Total asset amount hedged	-	-	-	-	-	-	-	-	-	-	-	-
19b. Total liability amount hedged	(101.155)	-	-	(5.000.000)	-	-	-	-	-	-	-	-
20. Net foreign currency asset/(liability) position (9-18+19)	(8.101.220)	(2.259.627)	(1.116.808)	30.371	(58)	1.286	(5.847.101)	(1.658.214)	(1.185.953)	(4.988.929)	413	1.614
21. Net asset/(liability) position of foreign currency monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(8.256.282)	(2.260.906)	(1.134.237)	(4.969.629)	(58)	1.286	(5.868.564)	(1.661.437)	(1.192.623)	(4.988.929)	402	1.614
22. Fair value of FX swap financial instruments	-	-	-	-	-	-	-	-	-	-	-	-
23. Hedged amount of foreign currency assets	-	-	-	-	-	-	-	-	-	-	-	-
24. Hedged amount of foreign currency liabilities	-	-	-	(5.000.000)	-	-	-	-	-	-	-	-

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

35. Financial risk management objectives and policies (continued)

Interest rate risk

The value of a financial instrument will fluctuate as a result of changes in market prices. The Group's interest rate risk is primarily attributable to its borrowings.

The interest-bearing financial liabilities have variable interest rates, whereas the interest bearing financial assets have a fixed interest rate and future cash flows associated with these financial instruments will not fluctuate in amount. The Group is subject to interest risk due to financial liabilities and finance lease obligations. Policy of the Group is to manage this risk through fixed and variable rates borrowings. In order to cover for these risks, the Group has entered into interest rate swaps. (Note 18)

The interest rate risk table is presented below:

	31 December 2013	31 December 2012
Financial instruments with fixed interest rate		
Financial liabilities	**682.384**	1.041.239
Financial instruments with variable interest rate		
Financial liabilities	**7.623.995**	4.968.814

If the base point of denominated interest rates for financial instruments with variable interest rate was higher/lower 0,25%, with all other variables held constant, the Group's income before tax and minority interest would be lower/higher TL 18.761 as of 31 December 2013. (31 December 2012 – TL 3.444)

On the other side because of hedging, if the base point of interest rate higher/lower 0.25%, equity would be higher/lower TL 79.676 (31 December 2012 – TL 15.554).

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 consolidated financial statements.

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

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

35. Financial risk management objectives and policies (continued)

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

	Book Value		Fair Value	
	Current Period	Prior Period	**Current Period**	Prior Period
Financial assets				
Cash and cash equivalents	**1.063.711**	960.788	**1.063.711**	960.788
Trade and other receivables (including related parties)	**3.314.793**	2.826.348	**3.314.793**	2.826.348
Other financial investments	**11.840**	11.840	**(*)**	(*)
Financial liabilities				
Bank Borrowings	**8.306.379**	6.010.044	**8.305.998**	6.012.371
Financial leasing liabilities	**27.129**	27.750	**27.129**	27.750
Trade and other payables	**1.814.615**	1.716.322	**1.814.615**	1.716.322
Other current and non-current liabilities	**483.946**	467.561	**483.946**	467.561

(*) 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 does not contains observable market inputs

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.1))

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

(CURRENCY - IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED. ALL OTHER CURRENCIES ARE ALSO EXPRESSED IN THOUSANDS)

35. 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	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets at fair value through profit or loss					
Derivative Financial Assets:					
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 at fair value through profit or loss					
Derivative Financial Liabilities:					
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 at fair value through profit or loss					
Minority Put Option Liability	31 December 2013	483.946	-	-	483.946

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 46.868.
		WACC	14,7%-15.6%	Increasing the WACC by 1%, decreases the fair value by TL 33.700, decreasing the WACC by 1%, increases the fair value by TL 36.493

35. Financial risk management objectives and policies (continued)

Fair value hierarchy table (continued)

Fair value hierarchy table as at 31 December 2012 is as follows:

Financial assets at fair value through profit or loss	Level 1	Level 2	Level 3
Swap transactions	-	3.226	-
Financial liabilities at fair value through profit or loss			
Swap transactions	-	38.931	-
Minority put option liability (Note 11)	-	-	467.561

Capital management policies

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

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

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or return capital to shareholders. No changes were made in the objectives, policies or processes during the years 2013 and 2012.

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WWW.FINARKURUMSAL.COM • TEL +90 212 269 37 20

Akatlar Mahallesi Prof. Dr. Kaya Çilingiroğlu Caddesi No. 10
Etiler-Beşiktaş 34335 Istanbul / Turkey
Phone: (+90) 212 309 96 00 Fax: (+90) 212 352 96 10
www.turktelekom.com.tr
www.ttinvestorrelations.com

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