TÜRK TELEKOMÜNİKASYON A.Ş.
ANNUAL REPORT 2014

A perfect show...

As Türk Telekom, Turkey's leading communication and convergence technologies group, we showed a strong performance in 2014, as well.

We added new achievements to our existing ones. We jumped higher, looked further. We had millions of new customers that met with our innovative products and services. We continued to create value for both Turkey and our shareholders.

This perfect performance is achieved with the strong synergy and team spirit created by our brands.

Dance is special...

It's between you and music. It's about showing your own style and performance even though there are others on the stage.

CONSOLIDATED REVENUE
TL 13.6 BILLION

CONSOLIDATED EBITDA
TL 5 BILLION

CONSOLIDATED NET PROFIT
TL 2 BILLION

SIGNIFICANT STEPS TOWARDS INTERGATION

Türk Telekom put a special performance in order to maintain its sustainable success in 2014 as well. There were organizational changes in order to make the Group comply with the faster integration and to gain more efficiency.

Dance is interpretation of music...

For an interpretation that creates difference, you have to do your work with passion, use your body like an instrument.

TÜRK TELEKOM GROUP NUMBER OF EMPLOYEES

34,389

A STRONG TEAM RUNNING TOWARDS THE SAME TARGET

A BIG AND SINGLE FAMILY

Providing the same quality service to millions of people needs a big organization. Türk Telekom is proud of achieving this big and difficult task with its tens of thousands of efficient and devoted employees.

All our employees successfully interpret their job descriptions and put on a collective stage show. We act together with all our employees to reach our goals.

Providing employment in 81 cities of Turkey, Türk Telekom with its approximately 35 thousand employees, is among the companies that provide highest level of employment in Turkey. In the last 5 years, Türk Telekom provided approximately 9 thousand people with new job opportunity. Türk Telekom takes attention as a corporation where more than 81 thousand people make application for the job. This number shows that Türk Telekom is among the companies most preferred to be worked with.

Dance means harmony...

You and your team have to look as if you're moving in a single body on the stage.

SINGLE STRUCTURE INCORPORATING STRONG BRANDS

TÜRK TELEKOM
AVEA
TTNET

Continuing to take important steps in its journey of growth with the brands under its structure, Türk Telekom gets stronger every day with the brands that complement each other and life in different fields.

Owning 100% of the broadband operator TTNET, convergence technologies company Argela, IT solution provider Innova, e-education technologies company Sebit, call center company AssisTT, wholesale data and capacity provider Türk Telekom International AT AG and its subsidiaries, Türk Telekom also owns 89.99% of the share of AVEA, one of the three GSM operators in Turkey.

Becoming a faster, stronger and more agile operator, Türk Telekom always focuses on customer satisfaction while it continues to determine the standards in the sector as an innovation leader in Turkey.

NUMBER OF FIXED BROADBAND SUBSCRIBERS

7.6 MILLION

NUMBER OF MOBILE SUBSCRIBERS

16.3 MILLION

NUMBER OF TOTAL ACCESS LINES

13.2 MILLION

Dance is interaction...

Dance is giving a strong reflex to music. Each rhythm, every note, must be visible in you and your partner.

NUMBER OF TIVIBU SUBSCRIBERS
1.9 MILLION

1,000 MBPS
SPEED WITH TTNET

TURKEY'S FIRST IPTV PLATFORM:
TİVİBU

A MARKET LEADER OPERATOR IN THE SMARTPHONE PENETRATION:
AVEA

TTNET WITH ITS VALUE ADDED SERVICES :
TTNET

TTNET MUSIC

TTNET BOOK

Internet usage increases in Turkey day by day. Differentiating its services in line with the changing needs, Türk Telekom, provides the internet world with new, entertaining and satisfying services.

Türk Telekom continues to make content and infrastructure investments for Tivibu service that is the first IPTV platform of Turkey. Tivibu, carries the pleasure of watching TV to different points with its new contents and applications.

With its e-book and e-music services, TTNET offers different channels to its users for reaching the pieces they desire. With innovation, it brings a new breath to the world of culture and entertainment.

Dance means renewal...

It's about adding a new taste to life in spite of putting the same show on stage over and over.

Together with its group companies Türk Telekom keeps close track of all technological developments in the world.

Focusing on creating value, Türk Telekom carries the internet from the sea and land to the sky. Converting the home phones to smart phones, Türk Telekom continues to carry Turkey into the future with numerous innovations like tekno kumbara, wirophone etc.

CHAMPIONS LEAGUE ON TİVİBU

INTERNET ON SEA, SKY AND LAND

WIROPHONE

SMART HOME PHONE

TEKNO KUMBARA

Dance means rising...

As everybody is watching you, you rise more, and as you rise you see further and aim for better.

1.8 MILLION
NET MOBILE SUBSCRIBER GAIN, OUT OF WHICH 1.3 MILLION IS POSTPAID

273 THOUSAND
NET SUBSCRIBER GAIN IN BROADBAND

CONSOLIDATED INVESTMENT
TL 2.15 BILLION

FIXED VOICE ARPU
TL 21.2

FIXED VOICE MOU
93 MIN

MOBILE BLENDED ARPU
TL 22.0

BROADBAND ARPU
TL 41.0

Türk Telekom Group completed 2014 with solid operational and financial results and significant organizational changes. While mobile and broadband customer base continued to expand operationally, the revenue loss in fixed voice was decreased.

In mobile, by acquiring 1,8 million net new subscribers, the total number of mobile subscribers reached 16,3 million. Due to the fact that 1.3 million of 1.8 million net gain was from postpaid customers, the ratio of the postpaid subscribers reached 48% representing the highest level in the sector.

TÜRK TELEKOM GROUP COMPANIES

Türk Telekom	Avea	TTNET	Türk Telekom International
13.2 MILLION Total Access Line Approximately **TL 25.4 BILLION** Market Capitalisation Approximately **TL 2 BILLION** Net Profit	**16.3 MILLION** Subscribers **TL 4.3 BILLION** Sales revenue **TL 696 MILLION** EBITDA	**6.4 MILLION** Subscribers **729 THOUSAND** Fiber subscribers **1.9 MILLION** TV subscribers	**40,000+ KM** fiber network abroad
Year of Establishment **1994**	Year of Establishment **2004**	Year of Establishment **2006**	Year of Establishment **2010**
Core Business **TELECOMMUNICATIONS**	Core Business **MOBILE COMMUNICATIONS**	Core Business **INTERNET SERVICE PROVIDER**	Core Business **WHOLESALE VOICE, DATA & INFRASTRUCTURE CARRIER**
Türk Telekom Shareholding **--**	Türk Telekom Shareholding **89,99%**	Türk Telekom Shareholding **100%**	Türk Telekom Shareholding **100%**
Number of Employees **21,396**	Number of Employees **2,123**	Number of Employees **702**	Number of Employees **318**
Web Site **turktelekom.com.tr**	Web Site **avea.com.tr**	Web Site **ttnet.com.tr**	Web Site **turktelekomint.com**

innova	assistt	ARGELA	sebit
One of the **50** fastest growing IT solutions providers Exports to **31** countries on **THREE** continents	**8,497** employeesin 19 cities **6,000+** seating capacity Over **130 MILLION** calls in 2014	Wide customer profile located from Turkic Republics to Africa, from Middle East & Balkans to America	E-education solutions provider with **26** years' experience serving in Turkey and international arena A top **FIVE** company in the "Best Content Services in the World" category
Year of Establishment **1999**	Year of Establishment **2007**	Year of Establishment **2004**	Year of Establishment **1988**
Core Business **INFORMATION SOLUTIONS & TECHNOLOGY**	Core Business **CUSTOMER SERVICES & CALL CENTER**	Core Business **TELECOMMUNICATIONS SOLUTIONS**	Core Business **ONLINE EDUCATIONAL CONTENT DEVELOPER & SERVICES PROVIDER**
Türk Telekom Shareholding **100%**	Türk Telekom Shareholding **100%**	Türk Telekom Shareholding **100%**	Türk Telekom Shareholding **100%**
Number of Employees **913**	Number of Employees **8,497**	Number of Employees **186**	Number of Employees **254**
Web Site **innova.com.tr**	Web Site **assistt.com.tr**	Web Site **argela.com.tr**	Web Site **sebit.com.tr** **vitaminegitim.com** **adaptivecurriculum.com**

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.

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 CORPORATE VALUES

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

OUR STRENGTHS

Solidarity and team spirit

HISTORY

International credit rating agency Standard & Poor's (S&P) upgraded the corporate credit rating of Türk Telekom from BB+ to BBB- (investment grade).

1994

- Türk Telekomünikasyon A.Ş. was established on June 30, 1994.

1995

- On April 25, 1995, PTT's telecommunication and postal services divisions were separated. As a result, all personnel, assets and liabilities related to the telecommunication services of PTT were transferred to Türk Telekom, then wholly-owned by the Republic of Turkey Prime Ministry Undersecretariat of Treasury.

2004

- Through the merger of Türk Telekom's GSM Operator, Aycell, and İş-TİM, TT & TİM İletişim Hizmetleri A.Ş. was founded on February 19, 2004.
- The trade name TT & TİM İletişim Hizmetleri A.Ş was changed to Avea İletişim Hizmetleri A.Ş. on October 15, 2004.

2005

- Türk Telekom's privatization was completed on November 14, 2005; 55% of Türk Telekom shares were transferred to Oger Joint Venture Group.

2006

- Türk Telekom subsidiary TTNET was established on April 26, 2006 and commenced operations on May 14 by obtaining an Internet Service Provider License.
- Acquiring 40.56% shares of İş-TİM for USD 500 million on September 15, 2006, Türk Telekom increased its shareholding in Avea to 81.12%.

HISTORY

2008

- On May 15, 2008, 15% of Türk Telekom shares were offered to the public and listed on the Istanbul Stock Exchange.

2010

- On October 7, 2010, Türk Telekom acquired Invitel International (now Turk Telekom International), the leading wholesale capacity and data services provider in Central and Eastern Europe.

2011

- In May 2011, Türk Telekom distributed to shareholders TL 2.244 billion –its entire 2010 distributable profit– in gross cash dividends, breaking an all-time record in the history of the Istanbul Stock Exchange.
- Türk Telekom became Turkey's first telecommunications company to report its carbon emission to the Carbon Disclosure Project (CDP).

2012

- Türk Telekom increased its total shareholding in Avea to 89.99%.
- Türk Telekom won the initial stage infrastructure tenders of the first and second regions of the FATİH Project held on November 22, 2012.

2013

- TTNET and Sobee, two wholly owned Türk Telekom subsidiaries, merged by transferring Sobee's assets and business entirely to TTNET.
- On December 10, 2013, upon the resolution adopted by Board of Directors, Türk Telekom announced the restructuring of its executive leadership by combining the roles of Group CEO and General Manager into a single CEO position and removing the Group CFO position. Rami Aslan, who had been serving as Board Member of Türk Telekom and as CEO of Oger Telecom, was appointed CEO of Türk Telekom as of December 10, 2013.

Türk Telekom carried out the largest corporate bond issue as well as the first ever dual tranche debt offering across two maturities issued out of Turkey in 2014.

2014

- Türk Telekom's overseas bond offering of up to USD 1 billion (or its equivalent in other foreign currency or Turkish lira) with a maturity of up to 10 years was oversubscribed eight times by high grade investors from a broad geography. This transaction was the largest corporate bond issue as well as the first ever dual tranche debt offering across two maturities issued out of Turkey. Carried out across two tranches with 5-year and 10-year maturities, the bond issuance was priced at a 30 bps spread to Turkish sovereign issues of similar tenors. The 5-year tranche amounted USD 500 million and maturing on June 19, 2019 was priced at 99,612% with a 3,750% coupon rate, while the 10-year tranche amounted USD 500 million and maturing on June 19, 2024 was priced at 99,165% with a 4,875% coupon rate.
- Türk Telekom's Executive Management carried out organizational changes in line with the Company's sustainable growth strategy, in order to take the Group's productivity to the next level and efficiently implement the customer-centered "One Stop Shop" approach which appropriately responds to client needs.
- Türk Telekom's long-term foreign and local currency issuer default ratings was assigned as BBB- (investment grade) with stable outlook, and senior unsecured rating of BBB- by International credit rating agency Fitch Ratings and affirmed afterwards as part of its routine review in 2014.
- International credit rating agency Standard & Poor's (S&P) upgraded the corporate credit rating of Türk Telekom from BB+ to BBB- (investment grade), S&P emphasized that Türk Telekom has strengthened its liquidity position after a successful bond issue of USD 1 billion in June 2014.
- TTNET A.Ş. purchased the Turkish media rights of UEFA Champions League and UEFA Europe League matches for three seasons beginning 2015-2016. UEFA Champions League and UEFA Europe League football games will be broadcast via Türk Telekom Group's digital TV broadcasting platform Tivibu. Pursuant to the contract signed with UEFA, an agreement has been reached with TRT, which will be Türk Telekom's free-to-air partner.

HIGHLIGHTS

Türk Telekom Group took important steps for its corporate integration process that is centered on a customer-focused approach and sustainable growth strategy.

MARCH 2014

Türk Telekom kicks off an era of integration

Türk Telekom Group companies have embarked upon an era of integration among their various products and services. Türk Telekom's newly appointed CEO Rami Aslan has indicated that, "Türk Telekom will initiate a 'One Stop Shop,' where customers will be offered all the services of our companies from a single hub. Customer focus, speed and efficiency will be our strategic priorities."

APRIL 2014

Important step towards increased integration

Türk Telekom Group transitioned to an even more customer-centric structure that will boost the efficiency of the commercial infrastructure and support functions. In order to better address to customers' technology and communication related needs and to deliver them more value, Türk Telekom Group restructured the go-to-market model of the fixed line business and merged the executive management of Türk Telekom and TTNET consumer and corporate marketing and sales departments into a single unit. Additionally, the executive management of the fixed line and mobile'sTechnology, Network and Operation, Procurement and Human Resources functions also merged. (For further detail on these changes, please see page 62: Organizational Structure and Changes.)

MAY 2014

Partnership signed with Orange: Turkish companies can now manage all overseas communications easily and securely

Türk Telekom and Orange Business Services announced an important partnership. "TT Global VPN" launched, pursuant to the agreement signed, allowing Turkish companies to conveniently manage all worldwide communications as if they were located in their headquarters in Turkey, in an easy-to-use and secure manner.

JUNE 2014

Turkey's most valuable brand for the sixth consecutive time

In 2014, Türk Telekom continued to top "Turkey's Most Valuable Brands" survey by Brand Finance, an international brand valuation company. According to the survey's results, Türk Telekom placed first on the list for the sixth year in a row, with an estimated brand value of USD 2 billion. Türk Telekom remains the country's most valuable brand thanks to robust regional growth with innovative products and services, coupled with social responsibility initiatives that add major value to Turkey as well as numerous international awards received.

Launch of Tekno Kumbara

Türk Telekom launched the promotion "Tekno Kumbara" to extend its gratitude to customers for the many years spent together. Tekno Kumbara offered customers a total of 4 billion minutes of voice, 5.5 billion minutes of WiFi and 335 gift options.

Investment grade rating for Türk Telekom from Fitch

Türk Telekom's long-term foreign and local currency issuer default rating was assigned as BBB- (investment grade) with stable outlook and senior unsecured rating of BBB- by international credit rating agency Fitch Ratings. As a result of its regular reviews in 2014, Fitch affirmed the ratings.

Bond offering oversubscribed eight times

Turk Telekom's overseas bond offering of USD 1 billion to refinance short-term debt was eight times oversubscribed by high grade investors from a broad geography. This transaction was largest corporate bond issue and the first ever dual tranche debt offering across two maturities issued out of Turkey

JULY 2014

S&P raises Türk Telekom's credit rating

International credit ratings agency Standard & Poor's Ratings Services (S&P) assigned Türk Telekom's long-term foreign currency corporate credit rating as BB+; recovery rating to the planned senior unsecured bond as 3; and placed both ratings on CreditWatch with positive implications. As a result of its annual review, S&P decided to upgrade Türk Telekom's long-term foreign currency corporate credit rating from BB+ to BBB-, which is investment grade. The outlook was designated as negative, mirroring the outlook of Turkey's sovereign rating. S&P also raised the rating of the Company's long-term foreign currency senior unsecured debt rating to BBB-, up from BB+. The rating currently assigned by S&P to the Company is now one notch above the sovereign rating.

SEPTEMBER 2014

PİLOTT Entrepreneurship Summit held

The first edition of the PİLOTT Entrepreneurship Summit, organized by Türk Telekom, brought together prominent entrepreneurs and investors from Turkey and across the world. The Summit, held as part of Turkey's one and only private sector startup accelerator program PİLOTT, allowed Türk Telekom to showcase to the entire entrepreneur ecosystem its commitment to transform the region into a hub of entrepreneurship and innovation. The three most successful enterprises of the second season of PİLOTT were announced at the Summit, and the winning entrepreneurs won a total capital support of TL 100 thousand as well as the chance to visit Silicon Valley in the US.

From the 2015-2016 through to the 2017-2018 football seasons, Türk Telekom Group will broadcast the matches of UEFA Champions League and UEFA Europe League on its Tivibu platform.

Türk Telekom Group takes another important step toward integration
Türk Telekom Group completed the second stage of its corporate integration process that is centered on a customer-focused approach and sustainable growth strategy. The second stage, which envisioned a fully integrated Türk Telekom Group, was implemented while preserving the current individual legal entities of Türk Telekom, TTNET and Avea, and in full compliance with applicable laws, rules and regulations. Under the integration initiative, organizational changes were carried out at Türk Telekom Group. (For further detail on these changes, please see page 62:Organizational Structure and Changes.)

OCTOBER 2014

SMEs of Anatolia meetings
Türk Telekom organized and held “SMEs of Anatolia Technology Meetings,” bringing together small and medium enterprises across Turkey. At the summits, experts in various fields informed SMEs about the advantages of doing business in the digital world and described ways to create a stronger brand.

Türk Telekom joins forces with SAP
In order to restructure its procurement systems, Türk Telekom entered into a key partnership agreement with SAP, the world leader in enterprise applications and software. Pursuant to the agreement, Türk Telekom Group started managing its procurement processes from one center and in an efficient manner, by using SAP’s integrated solutions.

Türk Telekom elected to ETNO’s Board of Directors
For the second time, Türk Telekom was elected to the Board of Directors of the European Telecommunications Network Operators’ Association (ETNO). Türk Telekom is the only Turkish company to sit on the board of this important institution that shapes Europe’s telecommunication policies.

Bronze Prize at the Galaxy Awards
Türk Telekom’s 2013 annual report was deemed worthy of a Bronze Prize at the Galaxy Awards, an event held by the US-based Mercomm, one of the most prestigious institutions in the field of communications.

NOVEMBER 2014

Türk Telekom named top job creator
According to the results of the Capital 500 Survey, Türk Telekom was designated the "Biggest Creator of Employment in Turkey."

Two awards for Turk Telekom International
At one of the most celebrated events of the international wholesale telecoms industry, the Global Carrier Awards, Turk Telekom International received two major prizes. At the 2014 edition of the awards ceremony, the Company was named the "Best Central and Eastern European Wholesale Data and Voice Carrier" and also won the trophy for the "Best Middle Eastern Project."

Public officials convene at Türk Telekom's BuluTT IT Summit
Türk Telekom welcomed representatives of public institutions that it serves with its vast and secure infrastructure at the BuluTT IT Summit. At the event, Türk Telekom services designed to meet the technology-related needs of government agencies and institutions were discussed in detail, as were BuluTT IT Solutions and other relevant global innovations in technology.

Türk Telekom becomes business partner for electronic title deeds (e-Tapu) provider
Via its overseas connectivity solution TTVPN Global, Türk Telekom has become the technology partner of the electronic title deeds scheme e-Tapu. As a result, Turkish citizens residing in Europe and foreigners interested in purchasing real estate in Turkey can now conduct local land registry and cadaster attaché transactions electronically, without having to come to Turkey in person.

DECEMBER 2014

Game Changers Turkey Award goes to Türk Telekom PİLOTT
Turkey's first initiative to accelerate private sector startups, PİLOTT, received the Grand Prize at Game Changers Turkey, in the category "Amplify-Change Your Potential…" An awards event that recognizes best efforts to positively impact a sector and break new ground, Game Changers noted that Türk Telekom's Startup Accelerator Program PİLOTT has introduced an innovative approach into the Turkish entrepreneur ecosystem.

All UEFA Champions League and UEFA Europe League matches on Tivibu
The Turkish viewing public can now watch the world's top football stars via Türk Telekom Group. From the 2015-2016 through to the 2017-2018 football seasons, Türk Telekom Group will broadcast the matches of UEFA Champions League and UEFA Europe League. These exciting football matches will air across all 81 provinces of Turkey, via Group company TTNET's Tivibu service. This digital broadcasting platform also offers advanced features for viewers such as "Four Screens," "Replay," "Stop and Play" and "Rewind and Play."

Third stage completed in Group integration process
Türk Telekom Group implemented phase three of its integration initiative, marking the completion of the steps taken to achieve a fully integrated organization during the year. In the scope of its go-to-market strategy, with the three main pillars of Consumer, Corporate and Wholesale, Türk Telekom Group integrated retail sales, marketing and customer care, as well as finance functions directly related to these areas, under Consumer and Corporate Business Units. (For further detail on these changes, please see page 62: Organizational Structure and Changes.)

KEY PERFORMANCE INDICATORS

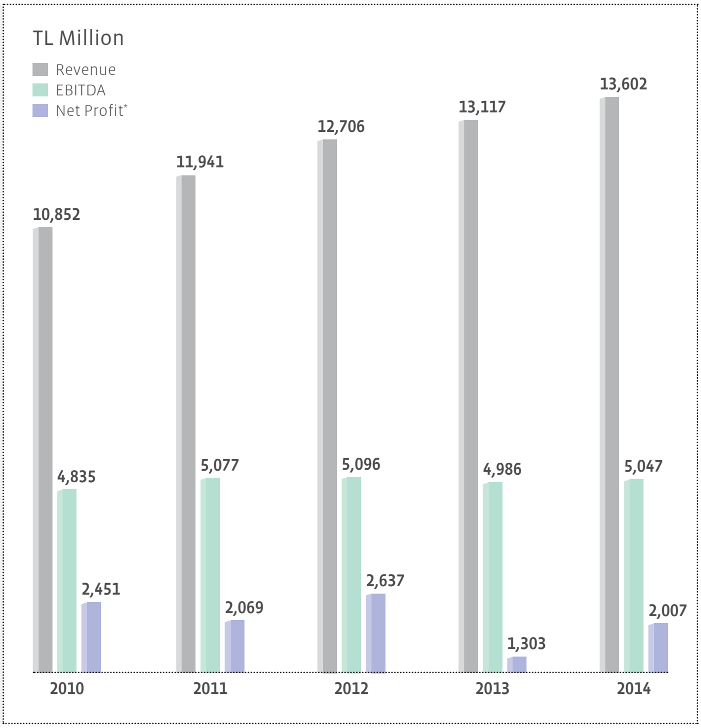
Türk Telekom recorded compound annual growth rate of 6% in the last five year.

CONSOLIDATED PERFORMANCE

KEY INDICATORS: REVENUE, EBITDA AND NET PROFIT*

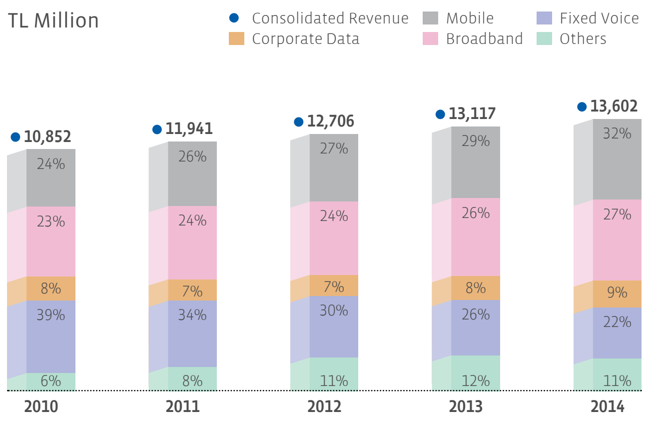
While Türk Telekom recorded compound annual growth rate of 6% in the last five year, the Company maintained the EBITDA level during that time. In 2014, the Company's consolidated revenues rose 4% compared to the previous year, meanwhile EBITDA for the year exceeded TL 5 billion, up TL 61 million compared to 2013 and realized fulfilled the announced expectations. During the year, revenue and expenses had a one-time negative impact on consolidated EBITDA. If these one-off items had not occurred, EBITDA would have increased 3.3% in 2014. With the positive impact of a more favorable FX environment, compared to 2013, net profit climbed to TL 2 billion, up 54% for the year.

* After minority interest



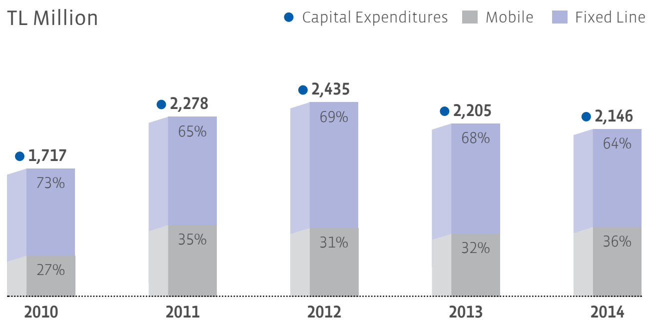
BREAKDOWN OF CONSOLIDATED REVENUE

Türk Telekom Group increased its revenues with 6% CAGR since 2010. The share of high growth businesses reached 59% of total revenues as of 2014 YE, compared to 47% at 2010 YE. Fixed voice was the third largest revenue item contributing a 22% share in 2014.



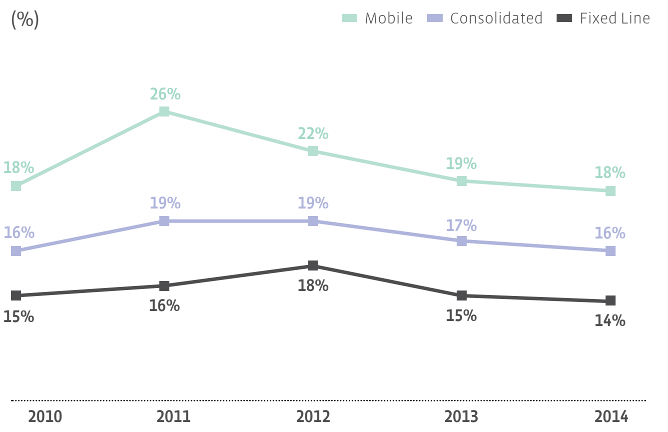
CAPITAL EXPENDITURES

Türk Telekom Group's Capital expenditure amount is realized at TL 2.15 billion in 2014, in line with forecasts,with a CAPEX to sales ratio of 16%. As in previous years, a higher portion of the Group's investment expenditures went to the Fixed Line business.



CAPEX / SALES

Parallel to the decline in capital expenditures and increase in revenues, the ratio of CAPEX / sales also decreased compared to previous years. Fiber and base station investment taking the largest share of investments in Fixed Line and Mobile, respectively.

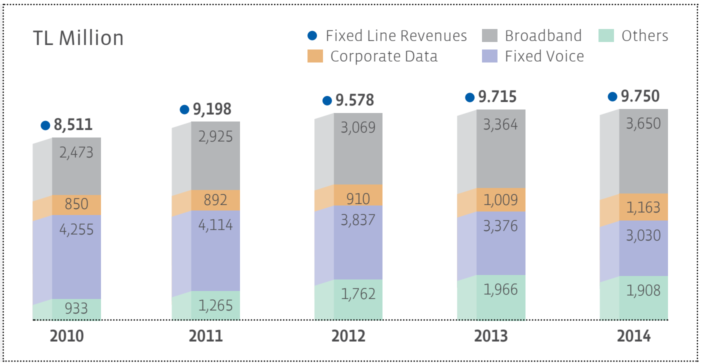


KEY PERFORMANCE INDICATORS

FIXED LINE PERFORMANCE

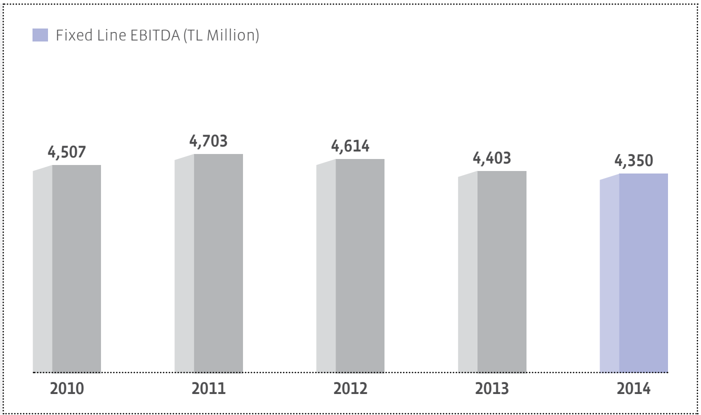
BREAKDOWN OF FIXED LINE REVENUE

While total Fixed Line revenue stayed flat compared to 2013, Broadband and Corporate Data revenue demonstrated relatively high growth in 2014. Broadband accounted for 37% of Fixed Line revenues while Corporate Data made up 12%.



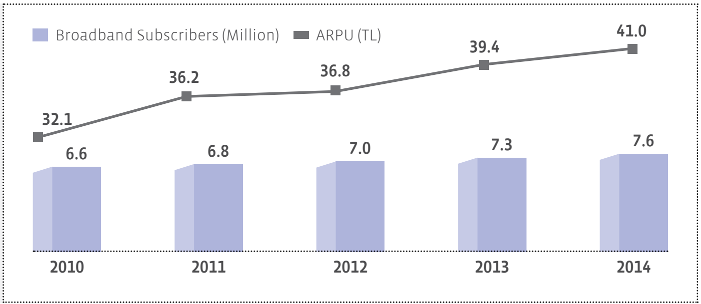
FIXED LINE EBITDA

The EBITDA of the Fixed Line business amounted to TL 4,350 million in 2014, with an EBITDA margin of 45%. During the year, Fixed Line EBITDA is affected one-offs. If these one-time charges had not occurred, the EBITDA margin of Fixed Line operations would have been 46%. Broadband revenue's share of total revenue increased year-over-year in the Fixed Line segment due to subscriber and ARPU growth.



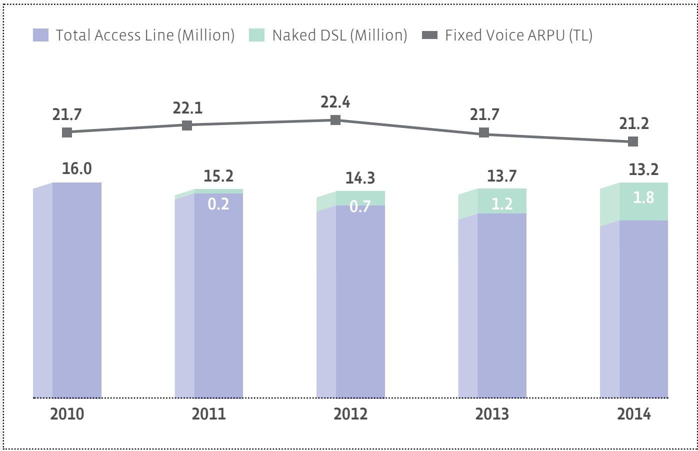
BROADBAND SUBSCRIBERS AND ARPU

Having 193 thousand km fiber line as of 2014 yearend, Türk Telekom Group FTTC and FTTH/B figures rose to 7,2 million and 2,9 million respectively. The number of fiber subscribers increased by 17% and reached 729 thousand while the ratio of the Fiber and Hypernet subscribers in the total number of broadband subscribers was 15%.



TOTAL ACCESS LINE AND ARPU

An analysis of Total Access Line numbers reveals that the decrease in Fixed Voice lines has slowed. Türk Telekom Group mitigated Fixed Voice line loss through brand partnership promotions offered to voice subscribers. YoY 51% rise in Naked DSL subscribers in 2014 also helped to slowed down to decrease in access lines.

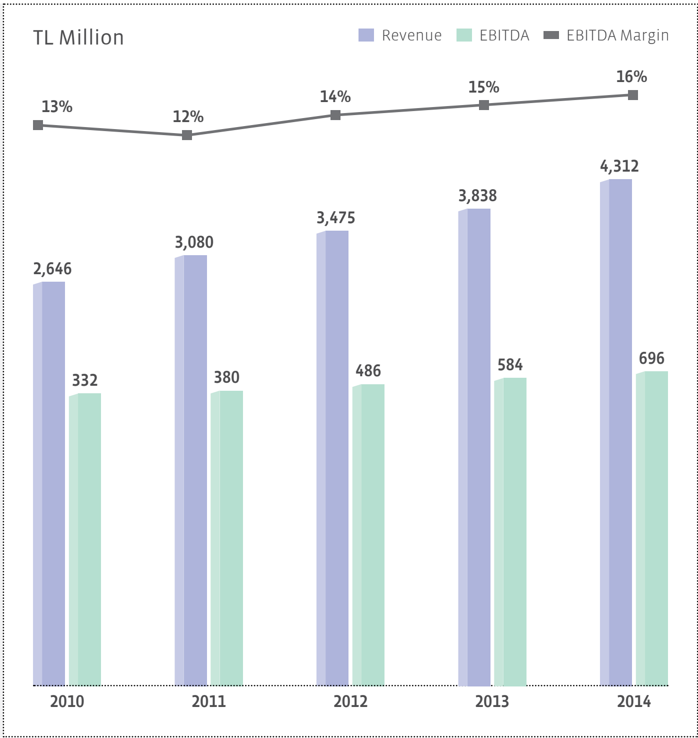


MOBILE PERFORMANCE

MOBILE REVENUES AND EBITDA

Revenues and EBITDA of Avea in which Türk Telekom has 89.99% shares increased above the market in 2014 similar to previous years.

Especially with the impact of the 12% increase in the subscriber base, there was a 12% growth in 2014 revenue. If we exclude the MTR Cut effect in 2013 the revenue growth would be 17% in 2014. In 2014, mobile EBITDA increased by 19% compared to the previous year and the EBITDA margin reached 16%. Thus, the progressive increase achieved every year since 2011 in the EBITDA margin continued in 2014.



KEY PERFORMANCE INDICATORS

Türk Telekom's consolidated operating profit before depreciation and amortization grew by 1.2% YoY to TL 5.0 billion in 2014 with an EBITDA margin of 37.1% compared to previous year.

CONSOLIDATED SUMMARY INCOME STATEMENT (TL MILLION)

Türk Telekom Group	2010	2011	2012	2013	2014	2013-2014 Değişim (%)
2014 Change (%)						
Revenue	10,852	11,941	12,706	13,117	13,602	3.7
Net Operating Expenses excluding Depreciation and Amortization	(6,017)	(6,864)	(7,610)	(8,131)	(8,555)	5.2
Earnings Before Interest Tax Depreciation and Amortization (EBITDA)	4,835	5,077	5,096	4,986	5,047	1.2
Depreciation and Amortization	(1,524)	(1,577)	(1,697)	(1,780)	(2,002)	12.5
Operating Profit	3,311	3,501	3,400	3,207	3,045	(5.0)
Net Financial Income/(Expenses)	(184)	(891)	(33)	(1,500)	(469)	(68.7)
Tax	(799)	(710)	(773)	(439)	(607)	38.1
Net Profit for the Period (Before Minority Interest)	2,328	1,900	2,593	1,267	1,969	55.4
Net Profit for the Period (For the Main Shareholder)	2,451	2,069	2,637	1,303	2,007	54.1
Investment Expenditures	1,717	2,278	2,435	2,205	2,146	(2.7)

Sales Revenue
Consolidated revenues increased by 3.7% YoY (up by TL 485 mn) to TL 13.6 bn in 2014, mainly due to 12.4% increase in mobile (up by TL 474 mn), 8.5% increase in broadband (up by TL 286 mn), and 15.2% increase in corporate data revenues (up by TL 154 mn). Excluding nonoperational IFRIC 12 revenues top line growth would be 4.7% YoY.

Earnings before Interest Tax Depreciation and Amortization (EBITDA)
Consolidated operating profit before depreciation and amortization grew by 1.2% YoY to TL 5.0 bn in 2014 with an EBITDA margin of 37.1%.

Mobile EBITDA improvement continued in 2014 with 19.1% YoY EBITDA growth and 16.1% EBITDA margin realization, one percentage point improvement compared to 2013.

Amortization and Depreciation
Total depreciation and amortization expense increased to TL 2 bn in 2014 from TL 1.8 bn in 2013 with 12.5% YoY increase. Excluding TL 44 mn of one off fixed asset impairment expense in Q4 2014, depreciation and amortization would grow 10% in 2014.

Operating Profit
Operating profit decreased by 5% YoY (down by TL 162 mn) in 2014 due to increase in depreciation and amortization expense (up by TL 222 mn).

Net Financial Income/Expense
Net financial expense recorded at TL 469 mn in 2014, decreased by 68.7% compared to 2013 mainly due to the eased conditions in FX environment compared to last year.

Tax
Corporate taxes, realized at TL 607 mn in 2014, were up by 38.1% YoY due to 51% increase in profit before tax in 2014 compared to 2013. Effective corporate tax rate in 2014 was 24%.

Net Income
Net income, registered at TL 2bn or TL 0.5736 per share, increased by 54.1% YoY, reflecting the impact of more favorable FX conditions compared to 2013.

CONSOLIDATED SUMMARY BALANCE SHEET (TL MILLION)

TL million	2010	2011	2012	2013	2014
Intangible Assets	3,517	3,540	4,050	4,536	4,789
Tangible Assets	7,435	8,156	8,347	8,350	8,194
Other Assets	2,929	3,499	3,850	4,353	4,356
Liquid Assets (Cash and Cash Equivalents)	1,219	979	961	1,005	2,538
Total Assets	15,100	16,174	17,208	18,245	19,878
Capital	3,260	3,260	3,260	3,260	3,260
Reserves and Retained Earnings	2,915	2,509	3,195	2,067	3,043
Financial Liabilities	4,199	5,346	6,038	8,334	8,878
Provisions for Severance Payments	607	563	749	585	556
Other Liabilities	4,119	4,496	3,965	3,998	4,141
Total Equity and Liabilities	15,100	16,174	17,208	18,245	19,878

Total Assets
In 2014, total assets increased 9% to TL 19.9 billion. Total assets grew mainly due to the rise in intangible assets, such as Capital expenditures within IFRIC 12, and other assets (e.g. commercial receivables). Asset growth was financed primarily with an increase in interest bearing liabilities.

Total Equity and Liabilities
Reserves and retained earnings increased because the entire amount of 2013 profit was not distributed. On the liability side, provisions for severance payments decreased as a result of the voluntary retirement program.

OPERATIONAL INDICATORS

With a 193 thousand km fiber line network, Türk Telekom Group covers 81 cities in Turkey and continues to lead in this area. Total high speed internet customers exceeded 1.1 million.

Fixed Voice Operational Indicators	2010	2011	2012	2013	2014	2013-2014 Change (%)
Total Number of Access Lines (million)	16.0	15.2	14.3	13.7	13.2	(3.7)
Fixed Voice ARPU (TL)	21.7	22.1	22.4	21.7	21.2	(2.3)
Fixed Voice (minutes)	114.6	107.3	104.4	102.4	93.0	(9.2)

In 2014, with the positive impact of the promotional campaigns offered to the customers such as free calls from 7:00 AM to 7:00 PM on fixed lines and other campaigns made throughout the year, we tried to decrease the cancellations of PSTN lines. Prices were increased as of June 2014 and at the same time a promotional campaign – free calls on fixed lines on weekends – was organized for the customers. Besides; with the campaigns that supported Home Advantage tariffs customers were encouraged to subscribe to Home Advantage tariffs by giving a guarantee. With the discounts and gift cheques offered to the customers within the scope of the brand partnerships, we tried to prevent the customers from cancelling their lines.

Fixed Broadband Operational Indicators	2010	2011	2012	2013	2014	2013-2014 Change (%)
Number of Fixed Broadband Connections (million)	6.6	6.8	7.0	7.3	7.6	3.7
Fixed Broadband ARPU (TL)	32	36.2	36.8	39.4	41.0	4.2

Modern communications infrastructure and superior service

With a 193 thousand km fiber line network, Türk Telekom Group covers 81 cities in Turkey and continues to lead in this area. The Group expanded FTTC (fiber to the cabinet) reach to 7.2 million points while FTTH/B (fiber to the house/building) reached 2.9 million points in 2014. As of year-end, broadband connections totaled 7.6 million with fiber subscribers amounting to 729 thousand, up 17% compared to 2013. Meanwhile, total high speed internet customers exceeded 1.1 million. Fiber and Hypernet subscribers made up 15% of the total broadband subscriber base, the Company's unlimited internet user segment rose to 87% in parallel with increasing data usage and the demand for higher speed in the market.

With the raising of the minimum access speed to 16 MBPS in 2014, Türk Telekom Group users are now having a much-improved Internet experience. In Q4 2014, broadband ARPU amounted to TL 41.3 thanks to incentives in high-end packages and inflation price adjustments.

Türk Telekom Group's mobile operator Avea reached 16.3 million subscribers with the 1.8 million new subscribers added in 2014. Being the most preferred GSM operator of Turkey in 2014 with its net 1.328 thousand subscribers transferring numbers, the Company increases its market share on subscriber basis to 22.8% as of 2014 yearend.

Mobile Operational Indicators	2010	2011	2012	2013	2014	2013-2014 Change (%)
Total Number of Mobile Subscribers (million)	11.6	12.8	13.5	14.5	16.3	12.4
Total Number of Prepaid Mobile Subscribers (million)	6.9	7.2	7.5	8.0	8.5	6.7
Total Number of Postpaid Mobile Subscribers (million)	4.7	5.6	6.0	6.5	7.8	19.2
Mobile ARPU - Blended (TL)	18.6	20.4	21.6	22.3	22.0	(1.3)
Mobile MoU (minutes)	262.6	304.7	341.5	366.2	406	10.8
Number of Communication Towers	16,040	21,523	24,106	27,415	29,747	8.5
Population Coverage (%) - 2G	96.7	97.6	97.9	98.2	98.5	
Population Coverage (%) - 3G	63	78.9	79.4	84	84.3	

Most preferred GSM operator: Avea
Continuing to be the leader in the postpaid subscriber's ratio, Avea reached 48% at the end of 2014 and while increasing its smart phone user's ratio within the subscriber's base to 52%, Avea finished another year as the leader. In 2014, the average revenue per subscriber was TL 22. The decrease in the interconnection prices had negative impact. The monthly average of Avea subscribers' talk time continued its increase by reaching 406 minutes.

Avea; had a successful performance in 2014 with 12% annual revenue increase and 19% EBITDA ("Earnings Before Interest, Taxes, Depreciation and Amortization") growth. The revenue of the Company that had a strong performance both in voice and data segments, reached a record level with TL 4.3 billion while the mobile data revenue, increasing by 76% compared to the previous year, increased its share in the service revenue to 24%. In 2014, in order to support quality and efficiency, TL 783 million of investment was made for mobile networks and channels. The number of communication towers almost reached 30 thousand as of yearend.

With its investment of TL 2.15 billion in 2014, Türk Telekom continued fiber transformation of its infrastructure and thus increased quality and efficiency in the mobile networks and channels.

FINANCIAL RATIOS

Financial Debt/Total Debt	2010	2011	2012	2013	2014
Total Liabilities/Equity	1.45	1.80	1.67	2.42	2.15
Net Financial Debt/EBITDA	0.62	0.86	1.00	1.47	1.26
Financial Debt/Equity	0.68	0.93	0.94	1.56	1.41
Financial Debt/Total Debt	0.47	0.51	0.56	0.65	0.65
Financial Debt/Total Assets	0.28	0.33	0.37	0.46	0.45

The Group's leverage ratio remains below the market average.

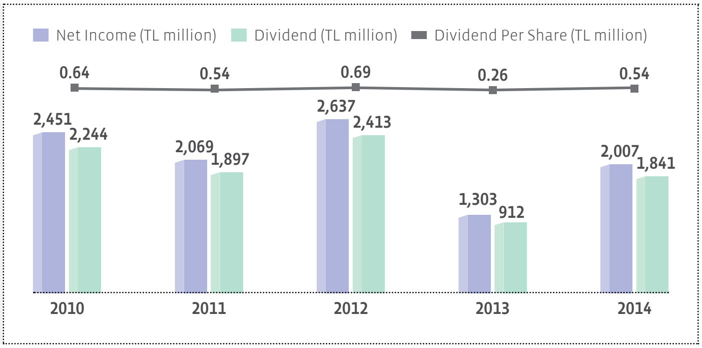
INVESTMENTS

CAPEX	2010	2011	2012	2013	2014	2013-2014 Change (%)
Consolidated CAPEX	1.717	2.278	2.435	2.205	2146	-2,7

With its investment of TL 2.15 billion in 2014, Türk Telekom continued fiber transformation of its infrastructure and thus increased quality and efficiency in the mobile networks and channels. With the impact of the fiber transformation that was almost completed in 2012, the investment expenditure decreased in the following years.

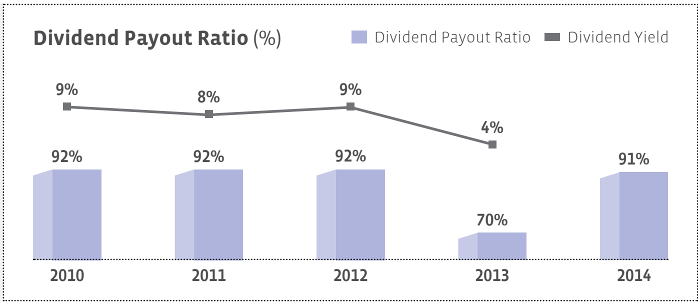
DIVIDEND PAYMENT

Ranking in the top-tier of the BIST dividend index, Türk Telekom has paid out more than TL 10.5 billion in dividends since 2008. A dividend payment of TL 1,841 million is planned for distribution in relation to the Company's 2014 profits, which was decided with a Board resolution, subject to General Assembly approval.



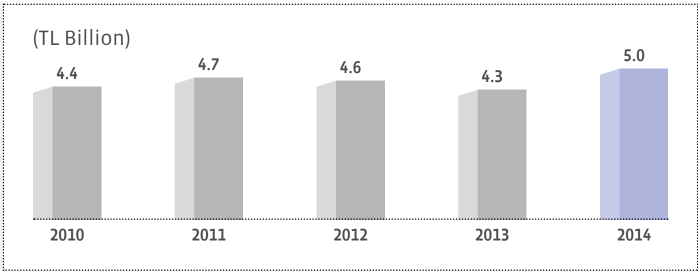
DIVIDEND YIELD AND DIVIDEND PAYOUT RATIO

If General Assembly approves the Board's proposal, dividend payout ratio will be 91% for 2014.



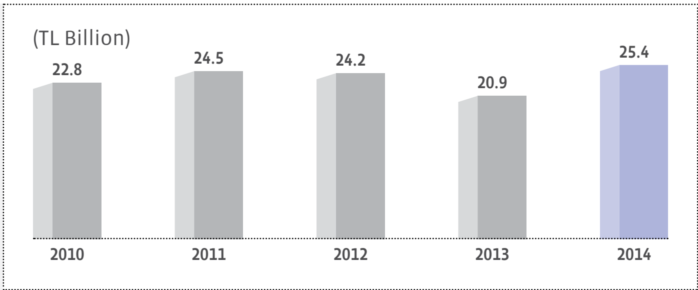
TAX PAYMENT BY YEAR

In 2014, Türk Telekom Group made a contribution of TL 5 billion to Turkey's public finances through tax payments and Treasury shares transferred to the state.



MARKET CAPITALIZATION

The market value was TL 25.4 billion as of 2014 year-end.



Türk Telekom has paid out more than TL 10.5 billion in dividends since 2008. A dividend payment of TL 1,841 million is planned for distribution in relation to the 2014 profits*.

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	May 15, 2008
Free Float	15%
Number of Listed Shares	525,000,000
Average Daily Trading Volume (01.01.2014-12.31.2014)	TL 23.1 million
Market Capitalization (12.31.2014)	TL 25.4 billion
Gross Dividend per Share 2014	TL 0.260609
Net Dividend per Share 2014	TL 0.221518
Closing Price (12.31.2014)	TL 7.27
Highest Price (01.01.2014-12.31.2014)	TL 7.30
Lowest Price (01.01.2014-12.31.2014)	TL 5.46
ISIN	TRETTLK00013

* 2014 dividend is recommended by the Board of Directors and is subject to General Assembly approval.

Performance in 2014 and guidance for 2015
At the beginning of 2014, Türk Telekom provided guidance on consolidated revenue, EBITDA and CAPEX expectations for the year. Expected growth in consolidated revenue was forecast in the region of 4-5%, with a consolidated EBITDA expectation of TL 5-5.2 billion and estimated CAPEX amount of TL 2.1 billion.

While announcing the third quarter results, Türk Telekom decided to revise the 2014 revenue growth guidance announced at the beginning of the year to 3.5-4.5% because of the expected decrease in the non-operational IFRIC 12 revenue. Though IFRIC 12 revenue is non-operating income, it is an outcome of the fixed line infrastructure upgrade efforts, such as the transition from copper line to fiber infrastructure. It was stated that when the IFRIC 12 was excluded, forecasted income growth would be 4-5%. In addition, it was indicated that this change would not have any material impact on expected Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and capital expenditures.

While disclosing the Company's revenue growth forecast for 2015, it was decided to ignore the non-operational IFRIC 12 revenue.

As of year-end 2014, consolidated revenue totaled TL 13.6 billion and EBITDA amounted to TL 5 billion while investment expenditures were TL 2.15 billion.

Each year, Türk Telekom discloses its expectations for the Group's consolidated financial results on the Public Disclosure Platform. This guidance for expected results is prepared taking into consideration the macroeconomic conditions in the country including the official growth and inflation forecasts. Evaluating the historical market conditions and competitive environment as well as future forecasts in all 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 Revenue, Consolidated EBITDA and Consolidated CAPEX accounts. In the event that expectations change during the course of the year, the revised expectations are disclosed to all shareholders and stakeholders via the Public Disclosure Platform.

Under normal market conditions and circumstances, our guidance for 2015 is as follows:

› Consolidated revenue growth (excluding IFRIC 12 construction revenues) of 5-7% over 2014;
› Consolidated EBITDA of TL 5.1-5.2 billion;
› Consolidated CAPEX (excluding the potential spectrum license fees) of around TL 2.3 billion.

AWARDS RECEIVED IN 2014

At one of the most prestigious competitions of the interactive media industry, the Horizon Interactive Awards, Türk Telekom was presented with Silver and Bronze prizes in nine categories.

FINANCE AND INVESTOR RELATIONS AWARDS

Brand Finance: Turkey's Most Valuable Brand Award
For the sixth consecutive year, Türk Telekom was chosen the "Turkey's Most Valuable Brands" in the survey organized by Brand Finance, an international brand valuation company.

Capital 500: Biggest Job Creator Award
According to the results of the 17th edition of the Capital 500 Survey, which recognizes 25 companies in eight different categories, Türk Telekom was named the "Biggest Creator of Employment in Turkey."

TÜYİD Investor Relations Awards
At the first edition of the Investor Relations Awards held by the Turkish Investor Relations Society (TÜYİD), Türk Telekom won first place in the category of "Best Investor Relations Web Site." In addition, Türk Telekom placed second in "Best Public Disclosure of Financial Results" and fourth in the "Best Annual Report" category.

CORPORATE SOCIAL RESPONSIBILITY AWARDS

Best Internal Communication Campaign Prize at MediaCat Health Communication Awards
Türk Telekom's project "Hayata Karşı Ağır Kalma (Don't Fall Heavy on Life)," designed to encourage healthy nutrition and weight loss to fight obesity among the Türk Telekom personnel across Turkey, received an award in the category "Best Internal Communication" at the sixth edition of the MediaCat Health Communication Awards.

Game Changers Grand Prize in the category "Amplify-Change Your Potential..."
Türk Telekom's Startup Accelerator Program PİLOTT, Turkey's first program to accelerate private sector startups, won the Grand Prize at Game Changers Turkey, in the category "Amplify-Change Your Potential..."

METU Crystal Tree award: "The Year's Startup Supporter"
PİLOTT, the startup accelerator initiative designed to give support and collaborate with innovative entrepreneurs to create economic value, was deemed worthy of "The Year's Startup Supporter" award" at Middle East Technical University's Crystal Tree awards ceremony.

BUSINESS AWARDS

Best Company in the Sector: 2013 Telecoms Sector Comparative Complaint Survey
For the fourth consecutive year, Türk Telekom was named the most successful company in the telecoms sector for delivering rapid and efficient solutions in response to customer complaints, according to the "2013 Telecoms Sector Comparative Complaint Survey" conducted by Sikayetvar, the independent complaint management web site (www.sikayetvar.com).

12th Golden Spider Web Awards

Türk Telekom's Career Web Site awarded the "People's Choice "at the Golden Spider Web Awards, which is held to recognize and promote successful projects using Internet technologies. Additionally, the first prize in the category Hardware and Software went to the web site TurkTelekomBuluTT.com which hosts BuluTT, the cloud computing solution for corporate customers powered by Türk Telekom's know-how and high-tech infrastructure.

Horizon Interactive Awards

At one of the most prestigious competitions of the interactive media industry, the Horizon Interactive Awards, Türk Telekom was presented with Silver and Bronze prizes in nine categories. Türk Telekom's Online Service Center iPhone Application was also granted a Silver Prize at the event.

MESSAGE FROM THE CHAIRMAN

As Turkey's most valuable brand for six consecutive years, we are now set to continue creating value for our customers by providing a high quality, globally competitive service.

In 2014, our annual consolidated revenues reached TL 13.6 billion, representing a year on year growth of 3.7%, and our consolidated EBITDA exceeded TL 5 billion. In addition, our EBITDA margin was 37.1%.

MOHAMMED HARIRI
Chairman of Board of Directors

Türk Telekom Group has left another year behind which is full of achievements that have created a real difference across all our fields of activity. In 2015, we shall maintain our position as a pioneer in Turkey's digital transformation through significant investments that will be implemented in line with our target to add value to Turkey as the country's most valuable brand.

Last year we showed a strong operational and financial performance as a result of our rapid implementation of our well-thought strategies. Since 2008 when we achieved Turkey's largest ever public offering, we are a giant brand which maintains profitability while creating scale.

In 2014, our annual consolidated revenues reached TL 13.6 billion, representing a year on year growth of 3.7%, and our consolidated EBITDA exceeded TL 5 billion. In addition, our EBITDA margin was 37.1%.

Turkey's telecommunications sector has continued to develop and grow as it adapts constantly changing technologies, and its accomplishments both increase our confidence and enhance our ability to make more investments. In addition to the inspiring developments in the telecommunication technologies, Türk Telekom Group family is very excited and honored to see and contribute in Turkey's active role in the global economy.

We have also had a successful year thanks to our accurate reading of rapidly changing global technological dynamics, as well as of Turkey's own needs. As a Group, the revenue growths in both mobile and broadband, together with our acquisition of new customers, indicates that we are on the right path.

In 2014, Türk Telekom Group took ambitious steps into television broadcasting and developed exciting collaborations. UEFA Champions League and UEFA Europa League will appear on the country's TV screens starting from the 2015-2016 season over Tivibu. Tivibu will be on satellite as well, and it will continue changing the TV watching habits over satellite as it does with IPTV.

Turkey is a role model in its region for several reasons including its strategic location in the region, and its young and dynamic population in addition to its technological infrastructure and speed of development. In addition, 2014 marked the start of a very important process for Türk Telekom Group when we took bold steps in an integration process which has been designed to deliver more added value for our customers. In the coming period, we shall continue working very hard to achieve new successes with the power and strength of the integration.

Türk Telekom Group is taking an active role in sustainability activities throughout Turkey with its products and services. Our company has achieved a significant success by being one of the 15 corporations that take place in the Istanbul Stock Exchange Sustainability Index in 2014.

Towards the goal of Turkey's digital transformation, we continue working very hard to make sure that everybody will have an access to technology and to make the technology an enabler of social development.

Based on our philosophy of adding value to the society, we make investments that will be sustainable for generations to come with value added projects. We are proud with our contributions in education in Turkey in 2014 as we continue providing contemporary educational environment to students in 76 Türk Telekom educational buildings, which we have established throughout Turkey in cooperation with the Ministry of Education and the Ministry of Transport, Maritime Affairs and Communications. The Telephone

CONSOLIDATED INVESTMENT

Our consolidated investment since 2005 has reached TL 17 billion.

Library project for the visually impaired, which was developed in partnership with the Bosphorus University Technology and Training Laboratory for the Visually Impaired (GETEM), continues to be an inspiring example of how to contribute in society through communication technologies. As the leader of communications, we implement various corporate social responsibility projects to remove barriers in front of the communications. Our 'Unimpaired Message' service continues to contribute to lives of the disabled. In addition, our Türk Telekom Amateur Sports Clubs project brings thousands of sportsmen and women together across the country who are national athletes achieving significant successes in global arena. Another successful example of our contribution to sport is Türk Telekom Sports Schools which we run with the aim of increasing the children and youngsters' awareness for sports.

As Turkey's most valuable brand for six consecutive years, we are now set to continue creating value for our customers by providing a high quality, globally competitive services. Until now we have acted with the responsibility of being a pioneer in Turkey's technological transformation and made innovative investments. We have the strongest infrastructure with highest coverage in Turkey and our consolidated investment since 2005 has reached TL 17 billion. We will continue working very hard to take the country's successes at ICT to global arena and create the opportunities for the future with our more than 34 thousand employees.

I can only conclude by expressing my sincere thanks to all of our employees, customers, shareholders, business partners and stakeholders for their invaluable contributions to Türk Telekom Group throughout 2014.

While making extensive investments in fixed broadband and mobile services in order to provide better services, we made significant changes in our organizational structure.

Assessment on the Financial Status and Activity Results
Turkey's leading communication and convergence technology group Türk Telekom left behind another year where it showed strong financial and operational performance, and successfully achieved its revenue and profitability targets. In 2014, our consolidated revenue – guidance was 3.5%-4.5% growth compared to the previous year – increased %3.7 while our EBITDA – guidance was between TL 5-5.2 billion – reached TL 5 billion. Finally, our CAPEX –guidance was to be around TL 2.1 billion – realized at TL 2.15 billion. Broadband, mobile and corporate data services were the main drivers behind the revenue increase in 2014.

While making extensive investments in fixed broadband and mobile services in order to provide our customers with better services, we made significant changes in our organizational structure with the aim of transforming the product oriented structure into a customer oriented structure within the scope of the integration program, and thus established "Consumer and Corporate" business units. In order to fulfill the customer needs and requirements thoroughly and to carry the customer satisfaction to a higher level, we transformed into a structure where fixed and mobile services are provided in a more integrated manner and one-stop-shop service approach is adopted.

As Türk Telekom Group, we have decisively been taking the steps that will carry us to a higher level. Having breaking numerous new grounds in the field of digital broadcasting, our Group took a similar step in TV broadcasting and established a very important cooperation as it acquired Turkey media rights of UEFA Champions League and UEFA Europe League – one of the biggest sports organizations in the world – for three seasons. With this new enterprise, we are proud of reinforcing our sector position and strength in TV broadcasting as well, just like in our different fields of activities.

In 2014, we completed the first bond issuance in Türk Telekom Group which was also an exemplary achievement for other companies operating in Turkey. The high demand of the investors to the one billion dollar bond issuance and the successful result achieved not only had a positive impact on our financial performance but also was a symbol of the international investors' confidence in Turkey and Turkish companies.

As we leave quite a successful year behind, in order to create more value for our stakeholders and to provide integrated communication service to our customers, we hope to continue our investments and growth in 2015 and our leading role in the telecommunication sector.

Risk Assessment
Türk Telekom, in line with its operations, is exposed to Financial, Regulatory-Compliance, Strategic and Operational risks as these are closely monitored, managed and methodologies to identify their magnitudes are being constantly developed. These risks as well as their Group-wide holistic management are explained in detail below.

Financial Risks
Türk Telekom holds a strong balance sheet with its sound leverage ratio (1,26x at the end of 2014), ability to generate cash and secure sources of funding with relatively lower interest rates.

As of 2015, the average borrowing maturity of the Company is over four years and its current ratio progresses over the 1.5 rate; ensuring a strong level of protection against liquidity risk.

Türk Telekom secures its long-term funding through a diversified and international pool of sources in line with its financing diversification strategy, resulting in the Company holding liabilities in foreign currencies. Net liabilities denominated in foreign currencies and fluctuating exchange rates result in the Company being exposed to Foreign Exchange Risk often, if not more.

For the effective management of foreign exchange and interest rate risks; a range of financial instruments are utilized through the approval of the Treasury Committee, in light of the market assessments of the Treasury Department.

Regulatory and Compliance Risks
Türk Telekom is subject to the market-regulating activities of various bodies due to holding a significant market power. Since these regulations substantially influence Türk Telekom's competitiveness, profitability and market share; the Company closely monitors all sector-based and legal regulations and manages those through conducting the necessary communicative activities and consultations with related bodies. Regulations' possible effects on the Company's operations, competitiveness and profit-generating ability are analyzed and risk management strategies per each issue are developed with the related business units and Regulations Department.

Türk Telekom aims to increase its profitability in non-regulated markets where it does not hold a significant market share to compensate for the unfavorable impacts of regulations on its competitiveness in the markets it dominates.

Along with the aforementioned practices, activities regarded all governing regulations and legislations (e.g. information security, tax-related issues, telecoms sector regulations and Capital Markets Board requirements) are carried out rigorously through the coordination of the Regulations Department. For the effective mitigation of reputational risks that might arise from non-compliance, a robust control mechanism within corporate governance has been structured and continuously developed.

Strategic Risks
Türk Telekom operates in an increasingly competitive (e.g. strong and numerous entrants, pressures on profit margins and prices of products/services, etc.) and regulated market with significant technological innovations. Being aware of this, Türk Telekom rigorously analyses the market positioning of its competitors, technological developments and consumer trends. Taking into account these advanced assessments, proactive risk management activities for best customer experience and higher revenues are being carried out within the Company's strategic priorities.

In line with changing customer expectations, new products and services are being developed through systematic risk analyses, where necessary infrastructure and technology investments/deployments are conducted for facilitating the best customer experience.

Moreover, the Company compensates for its market share loss in the regulated areas through new and innovative products and services; as well as carefully seizing opportunities for smart acquisitions in both domestic and foreign markets.

Turkey's leading communication and convergence technology group Türk Telekom left behind another year where it showed strong financial and operational performance.

Operational Risks
Operational risks can be briefly listed as; infrastructure and technology systems outages, leakage of customer information due to cyber-attacks; and inability to maintain the high quality in services and products due to various technical problems. These risks may result in lower customer satisfaction, regulatory penalties and as a result, reputational damage and decreasing revenues.

Türk Telekom, to minimize these risks; periodically and systematically performs risk assessment activities for and constantly monitors the critical systems in all its IT and network infrastructure. Moreover, all IT and network operations are carried out in line with security policies and disaster recovery plans; and compliance to regulations and international standards are monitored and audited in a stringent manner.

Periodic improvements are made to the infrastructure and technology systems that might result in outages/lower quality; and possible cyber-attacks and interruptions due to external reasons are controlled via early warning mechanisms.

Assessment on Corporate Governance Committee Activities
In 2014, the Corporate Governance Committee convened prior to Board of Directors meetings to discuss and make decisions related to Board meeting agenda items.

The independent Board Member candidates selected to fill positions that became vacant during the year were checked for compliance with the independence criteria stipulated in Capital Markets Board legislation. The signed independence statements of candidates were obtained and a relevant report was submitted to the Board of Directors.

Assessment on Internal Control and Internal Audit Practices
Türk Telekom has set up the necessary internal control systems in order to reach its strategic targets; uphold efficiency and productivity in all Company operations; protect the security and accuracy of financial and operational data; safeguard its assets; and ensures compliance with applicable laws, regulations, rules, policies and procedures.

Türk Telekom A.Ş.'s Internal Audit Unit performs assurance checks and consultancy to evaluate and further develop risk management, internal control and corporate governance processes of Türk Telekom and Group companies. Reporting to the Board of Directors and the Audit Committee, the Internal Audit Unit operates in line with the principles approved by the Board of Directors.

The Internal Audit Unit operates in accordance with international standards of internal audit. The Unit has submitted its internal audit processes to the audit review of an independent organization and has received a quality certification report. The majority of the Unit's auditors hold CIA, SMMM, CISA and CFE certification. According to their respective areas of expertise, audit teams perform audits related to finance, operations, IT and compliance. The audits evaluate the efficiency of current internal controls designed to eliminate the risks associated with various business processes. The Unit analyzes the reasons and effects of the control shortcomings identified during audits, receives information from the relevant departments about action plans to resolve the issues identified and monitors whether these actions are implemented on time. In addition to audit activities, the Unit also conducts inspections and investigations as needed.

Assessment on Audit Committee Activities

Türk Telekom A.Ş.'s Audit Committee was set up upon a Board of Directors resolution dated June 16, 2008, pursuant to Capital Markets Board's Communiqué Series: X, No: 22. The Audit Committee was created to support the Board of Directors in monitoring the accuracy of the Company's financial statements, compliance with in-house and external regulations, internal control systems, the quality, independence and performance of independent auditors, as well as the Company's internal audit function. The Committee acts in line with the duties and responsibilities delegated to it by the Board of Directors, and reports to the Board of Directors.

The Audit Committee consists of three members chosen among independent Board Members by the Board of Directors, as well as three observer members chosen among Board of Directors nominated by the Company's Class A shareholders as stipulated in the Articles of Association.

The Committee convenes at least five times per year and more frequently if deemed necessary. Committee meetings are held on the same day as Board of Directors meetings; at least four of the meetings take place on dates just before the public disclosure of the Company's financial statements. The Board of Directors is kept informed about the Committee's meetings and activities.

Türk Telekom's Audit Committee operates in accordance with the Audit Committee Regulation approved by the Board of Directors. Some of the Committee's activities carried out in line with the referenced regulation include:

› Prior to public disclosure of the Company's financial statements and data, the Audit Committee analyzes the sufficiency and conformity of these, and presents its opinion to the Board of Directors;
› The Audit Committee monitors the selection of the independent external audit firm and makes recommendations to the General Assembly with the consultation of the Board of Directors;
› The Audit Committee holds regular meetings with the independent auditors, receives information on relevant issues such as the audit work, key findings, important changes in accounting policies and informs the Board of Directors whenever deemed necessary;
› The Audit Committee monitors the activities of the Internal Audit Unit, receives information on issues such as the review of risk evaluation results, approval of the annual internal audit plan, important internal audit findings and the relevant actions taken, as well as internal audit performance indicators, and holds meetings with the Head of Internal Audit.

Assessment on Early Identification and Management of Risks Committee

In 2014, the Early Identification and Management of Risks Committee held regular meetings prior to Board of Directors meetings and carried out a range of risk related activities. These included the analysis of risks identified, notification of the Board of Directors about significant risks, provision of necessary resources for the efficient performance of the Enterprise Risk Management function, as well as the coordination of Enterprise Risk Management, Internal Audit and other functions.

THE BOARD OF DIRECTORS

MOHAMMED HARIRI (1958)
Chairman of Board of Directors
Mohammed Hariri is the Chairman of the Board of Directors of Oger Telecom Limited. He also serves as the Chairman of Türk Telekomünikasyon A.Ş, TTNET and Avea İletişim Hizmetleri A.Ş. in Turkey. 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 Ojer Telekomünikasyon A.Ş., Oger Telecom Ltd., Cell C, GrupMed International Holding Ltd.,Group Med S.A.L. (Holding), Bank Med 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, 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. He is a Member of the Advisory Board of Deutsche Bank PWM Middle East and Africa. 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 17, 2012.

FERİDUN BİLGİN (1964)
Vice Chairman of Board of Directors
After he graduated from Istanbul Technical University, Faculty of Electric and Electronic, Electric Engineering in 1985, he did his master's degree from Yıldız University, Science Institute, Electric Engineering between1985-1987. He began his business life in State Planning Organization, Incentive and Implementation Head Office as Assistant Specialist in 1986 and after becoming Planning Specialist in 1991, became Group Head in the same department in 1992; he was appointed as Unit Head to Undersecretariat of Treasury and Foreign Trade, Incentive and Implementation Head Office. He worked as Economy Counsellor in Republic of Turkey Ambassadorship of Skopje between 1996 and 1999. He was appointed to Undersecretariat of Treasury, Incentive and Implementation Deputy General Manager in October 15, 2003 and he was appointed as principle to the same position in November 2, 2007. He was appointed as Undersecretariat of Treasury Assistant Deputy Counselor in June 30, 2010 and he was appointed as principle to the same position in July 30, 2010. He was appointed to The Ministry of Transport, Maritime and Communication Counsellorship in April 29, 2014. He speaks English. He is married with two children.

ABDULLAH TİVNİKLİ (1959)
Member of Board of Directors
After earning his B.S. in Mechanical Engineering from Istanbul Technical University, Abdullah Tivnikli completed an MBA at the same university. Following an invitation by the public authority involved in participation banking to develop the legal infrastructure for Turkey's participation banking model in Turkey, he actively took part in the establishment of Albaraka Türk Participation Bank. He has been 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 the Executive Committee. Tivnikli is also a Board Member at Türk Telekom Group companies, TTNET and Avea, and he is the Vice Chairman of the Board of Directors of Argela, AssisTT, Innova and Sebit.

CENK SERDAR (1968)
Member of Board of Directors
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 2005-2009 he served as 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 Headquarters, London between 2009-2013. Serdar serves as Chief Consumer Officer of Saudi Telecom Company since 2013 and serves as a member in boards of Avea İletişim Hizmetleri A.Ş., Contact Centers Company and SALE Advanced Co. Ltd.

HAKAM KANAFANİ (1965)
Member of Board of Directors

Kanafani is a Member of Türk Telekom's Board of Directors and Chief Adviser to the Chairman. Kanafani is a board member of Oger Telecom and he serves on the Boards of Türk Telekom Group's technology companies, namely Argela, Innova and Sebit and is the Vice-Chairman of Turk 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 was a board member of 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.

KHALED BIYARI (1963)
Member of Board of Directors

Dr. Khaled Biyari is the CEO of Saudi Telecom Company (STC). 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 Petrolium 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.

MAZEN ABOU CHAKRA (1976)
Member of Board of Directors

Mazen Abou Chakra serves as Executive Member of the Board of Directors of Oger Telecom Limited, and acts as the Chief Legal Officer and Deputy CEO 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 Assist Rehberlik ve Müşteri Hizmetleri A.Ş. in Turkey and member of Supervisory Board of Turk Telekom International Group. Mr. Abou Chakra began his career as a trainee at the law firm of DePardieu Brocas & Maffei in Paris before moving to the law firm of 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 I-Sorbonne University in Paris.

RAMİ ASLAN (1972)
CEO and Member of Board of Directors

Rami Aslan is the Chief Executive Officer and 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 and mobile companies "TTNET" and "AVEA". Mr.Aslan serves also as Chairman of the Board of Directors of several technology companies, including Argela, Innova and Sebit; one of the largest call centers in Turkey"AssisTT" as well as international capacity provider Turk Telekom International Group.

After obtaining his Bachelor degree with a major in Management Information Systems from McGill University in Canada and working for a few years in the IT sector in Ontario, Canada.Mr. Aslan pursued his studies and obtained his MBA degree at McGill in 1997 and later joined TD Bank of Canada Corporate Banking

Division covering the Information Technology and Telecommunications Sector.He later joined Citigroup where he worked mainly covering the sector out of London, and later Bahrain and Dubai. Mr. Aslan joined the Dubai based Oger Group in 2005.During his nine years with Oger, Mr. Aslan oversaw the share transfer period following the privatization of Türk Telekom in November 2005 and has later taken the helm of the CEO and Executive Board Member of Oger Telecom Ltd. in Dubai.In December 2013, Mr. Aslan took over the Türk Telekom Group CEO role and has started the recent transformation and integration initiatives in the Türk Telekom Group Companies.

FAHRİ KASIRGA (1953)
Independent Board Member
Kasırga graduated from Istanbul Kabataş Erkek High School, after completing his primary and secondary education in Çayeli-Rize. After graduating from Istanbul University Faculty of Law in 1977, he started his internship as a judge candidate at Rize in 1978, then in August, 1979 he was accepted as Hopa Public Prosecutor. In December 1979, he left his job to fulfill his national service. He returned to service as Erzurum-Olur Deputy Public Prosecutor and served as Public Prosecutor of Trabzon-Çaykara, Sakarya-Karasu and Chief Public Prosecutor of Ordu-Fatsa, Diyarbakır, Kocaeli respectively. In December 26, 2001 he was appointed as Ankara Chief Public Prosecutor, while he was performing this duty, he was appointed as Undersecretary of Ministry of Justice in October 3, 2010. Due to the 2007 General Elections, he was appointed as Minister of Justice and served as Minister of Justice between May 8, 2007 and August 29, 2007. Then he returned back to his duty of Undersecretary of Ministry of Justice. After performing this assignment about 1 year more, he was appointed to Prime Ministry High Counselor in July 18, 2008. Served as Undersecretariat to Prime Ministry between January 20, 2014 and September 11, 2014, he currently serves as Presidential Secretary-General. Kasırga is married with two children.

İBRAHİM EREN (1980)
Independent Board Member
Born in London, İbrahim Eren was graduated from Boğaziçi University International Relations and Political Science. Beginning his career at Boğaziçi Groupwhile studying he had worked in executive positions of national and international companies in technology and media sectors during their establishment and restructuring process., Who Pictures which Eren founded in the US, produced documentaries, 3D animations and advertorials. İbrahim Eren had his master's degree from Westminster University Media Management and worked as representative of ATV Europe TV Channel in England while studying. After his graduate study at English state television company BBC and Westminster University he turned back to Turkey and worked with Turkuvaz Media Group as Deputy General Manager of ATV. Eren has been working in TRT (Turkish Radio and Television) as Deputy General Manager since August 2013. Being responsible from 10 channels in TRT including TRT1, he is also the Board Member at Euronews. He is married with a child.

YİĞİT BULUT (1972)
Independent Board Member
Chief Advisor of President, Economist, Financial Analyst, Banker, Journalist, Columnist. He worked as economy commentator in Kanal 6, Kanal E and CNN Turk and columnist in Radikal, Vatan, Referans and Haberturk. He was the producer and the presenter of Parametre and Finans Analiz TV programs. He also worked as a teaching assistant in Doğuş University. Between 2009 and 2012, he was the Chief Production Director of Haberturk TV, economy commentator in Bloomberg TR and columnist in Haberturk Newspaper. Between 2012 and 2013, he was the Chief Production Director of 24 TV and columnist in Star Newspaper. He continued to present the TV discussion program "Sansürsüz" in TV 24, transferring from Haberturk TV. He has served as the Prime Minister's Chief Advisor between July, 2013 and August 2014 and has been serving as Chief Advisor of President since August 2014. He was graduated from Galatasaray High School

and Bilkent University, Faculty of Banking and Finance. He studied for master degree in Sorbonne University. He speaks English and French.

KEMAL MADENOĞLU (1964)
Independent Board Member
Born in Seydişehir, Konya. He received his Bachelor's Degree in 1988 in Sociology Department of Faculty of Science and Letters, Middle East Technical University (METU). In 1989, he started to work as Assistant Expert at Social Planning Department of State Planning Organization. Between the years 1992 and 1994, he studied for his Master Degree on Sociology at the University of Colorado in the US. In 1995, he was appointed as a Planning Expert. From February 2003 to June 2009, he served as Director General for Social Sectors and Coordination. Between June 2009 and June 2011, he served as Undersecretary of State Planning Organization. In June 2011, he was appointed as Undersecretary of the Ministry of Development. Alongside this job, since 2009, he has been working as the Chairman of the Board of Trustees of Kyrgyzstan-Turkey Manas University and as the Coordinator of Istanbul Financial Center. He was the coordinator of 2010 Turkey Report of the United Nations Millennium Development Goals. In 2010, he supported the works of Deputy Prime Minister Ali Babacan at the UN High Level Panel on Global Sustainability, which was established by the UN Secretary-General. He coordinated the preparation process and the Turkey Report of RIO+20, United Nations Conference on Sustainable Development held in 2012 in Rio de Janeiro, Brazil participated by the Turkish President Mr. Recep Tayyip ERDOĞAN. He represented Turkey in the works concerning 2013-2014 Sustainable Development Goals run by the UN. On 17 October 2014, he was appointed as the Undersecretary of the Turkish Prime Ministry. He can speak English and he is married with three children.

Changes in the Board of Directors
The Company's Board of Directors resolved on January 29, 2014 that İbrahim Eren shall be appointed Independent Board Member, to the seat which became vacant due to the resignation of Independent Board Member Efkan Ala on December 25, 2013, for the remaining term of office of the Board of Directors, to be submitted for the approval of the Company's General Assembly at the next General Assembly Meeting.

The Company's Board of Directors resolved on February 4, 2014 that Cenk Serdar shall be appointed Board Member, to the seat which became vacant due to the resignation of Maziad Nasser M. Al Harbi, for the remaining term of office of the Board of Directors, to be submitted for the approval of the Company's General Assembly at the next General Assembly Meeting.

The Company's Board of Directors resolved on March 7, 2014 that Fahri Kasırga shall be appointed Independent Board Member, to the seat which became vacant due to the resignation of Independent Board Member Süleyman Karaman on February 26, 2014, for the remaining term of office of the Board of Directors, to be submitted for the approval of the Company's General Assembly at the next General Assembly Meeting.

The Company's Board of Directors resolved on May 1, 2014 that Feridun Bilgin shall be appointed as Board Member, to the seat which became vacant due to the resignation of Mehmet Habip Soluk on May 1, 2014 for the remaining term of office of the Board of Directors, to be submitted for the approval of the Company's General Assembly at the next General Assembly Meeting.

The Company's Board of Directors resolved on May 6, 2014 that Yiğit Bulut shall be appointed Independent Board Member, to the seat which became vacant due to the resignation of Independent Board Member Adnan Çelik on May 1, 2014, for the remaining term of office of the Board of Directors, to be submitted for the approval of the Company's General Assembly at the next General Assembly Meeting.

The Independent Board Member İbrahim Şahin resigned on October 13, 2014.

The Company's Board of Directors resolved that Kemal Madenoğlu shall be appointed Independent Board Member, for the remaining term of office of the Board of Directors, subject to Capital Markets Board's opinion and to be submitted for the approval of the Company's General Assembly at the next General Assembly Meeting and has been appointed on February 19, 2015 after receiving Capital Markets Board's opinion.

THE BOARD OF DIRECTORS, STATUTORY AUDIT BOARD 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 27, 2014, it was resolved at the Ordinary General Assembly Meeting that İbrahim Eren, Fahri Kasırga, Yiğit Bulut, Cenk Serdar and Feridun Bilgin shall be appointed to Board membership positions to replace Efkan Ala, Süleyman Karaman, Adnan Çelik, Maziad Nasser M. Al-Harbi and Mehmet Habip Soluk, respectively; and the Board membership positions were approved by a majority of the vote and the terms 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 the Turkish Commercial Code and Article 10 of the Articles of Association.

On May 27, 2014, it was resolved at the Ordinary General Assembly Meeting that Süleyman Karaman and Mehmet Habip Soluk shall be appointed to the Statutory Audit Board membership positions to replace Zeynep İnce and Orhan Birdal, respectively; and Statutory Audit Board membership positions were approved by a majority of the vote and the terms shall commence as of the date of election under the same conditions for the remaining term of office of the Statutory Audit Board in accordance with Article 16 of the Articles of Association. Süleyman Karaman resigned on February 9, 2015.

İbrahim Eren serves as Audit Committee Chairman and Yiğit Bulut serves as Member of the Audit Committee. Mazen Abou Chakra and Khaled Biyari are Observer Members. On February 4, 2014, İbrahim Şahin was appointed Chairman and İbrahim Eren was appointed Member and Khaled Hussain S. Biyari was appointed as Observer Member to the Audit Committee due to resignation of Maziad Nasser M. Al-Harbi. Replacement of the vacant Observer Member position due to resignation of Rami Aslan from the Audit Committee shall be determined at a later date. Committee Member Süleyman Karaman and Committee Chairman İbrahim Şahin resigned from Board membership on February 25, 2014 and October 13, 2014, respectively. On February 3, 2015, İbrahim Eren was appointed Chairman of the Committee and Yiğit Bulut was appointed Member of the Committee.

The Chairman of the Corporate Governance Committee is İbrahim Eren, and Members are Cenk Serdar and Mohammad Hariri. On February 4, 2014, Cenk Serdar was appointed to the vacant membership position due to the resignation of Maziad Nasser M. Al-Harbi. İbrahim Eren was appointed Chairman on May 1, 2014 due to the resignation of Adnan Çelik from Board membership.

The Early Detection and Management of Risks Committee chairmanship is vacant as of the report date; Members are Mazen Abou Chakra and Cenk Serdar. On February 4, 2014, Cenk Serdar was appointed to the vacant membership position due to the resignation of Maziad Nasser M. Al-Harbi. Committee Chairman Süleyman Karaman resigned from Board membership and Committee Chairmanship on February 26, 2014.

The Chairman of the Executive Committee is Mohammed Hariri; Feridun Bilgin is the Vice Chairman; and Rami Aslan, Abdullah Tivnikli and Khaled Hussain S. Biyari are the Members of the Committee. Feridun Bilgin was appointed Vice Chairman on May 1, 2014, a position that had become vacant with the resignation of İbrahim Şahin from Executive Committee membership.

STATUTORY AUDIT BOARD

LÜTFİ AYDIN (1960)
Statutory Audit Board Member
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 Transportation. He has worked as the Assistant General Manager at the Ministry of Transportation, General Directorate of Communications between 2007 and 2014. He has been working as General Manager of Service Provision at Ministry of Labour and Social Security, Social Security Institution since July 24, 2014. Aydın has been a member of the Audit Board at Türk Telekom since February 2011.

MEHMET HABİB SOLUK (1950)
Statutory Audit Board Member
After graduating from 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, Deputy Undersecretary and Undersecretary to the Ministry of Transportation. Between November 2008-March 2011 and July 2011-April 2014 he served as a member on the Board of Directors of Türk Telekom and between April 2009-March 2011 he served as a member on the Audit Committee of Türk Telekom. Aydın has been a statutory auditor at Türk Telekom since May 1, 2014.

Changes in the Statutory Audit Board
The Company's Statutory Audit Board resolved on February 26, 2014 that Süleyman Karaman shall be appointed Statutory Audit Board Member, to the seat which became vacant due to the resignation of Zeynep İnce on February 26, 2014, for the remaining term of office of the Statutory Audit Board, to be submitted for the approval of the Company's General Assembly at the next General Assembly Meeting.

The Company's Statutory Audit Board resolved on May 1, 2014 that Mehmet Habip Soluk shall be appointed Statutory Audit Board Member, to the seat which became vacant due to the resignation of Orhan Birdal on May 1, 2014 for the remaining term of office of the Statutory Audit Board, to be submitted for the approval of the Company's General Assembly at the next General Assembly Meeting.

Süleyman Karaman resigned from Statutory Audit Board membership on February 9, 2015.

MESSAGE FROM TÜRK TELEKOM CEO

As Türk Telekom, our principal objectives at all times include responding rapidly to the needs of our customers and improving the efficiency of our operations.

As Türk Telekom, we continue shaping the future of telecommunication sector with our innovative vision by making digital transformation a reality.

RAMİ ASLAN
CEO and Member of Board of Directors

2014 was a year Türk Telekom Group made its mark on the sector both by internal corporate innovations and by our technological solutions. We have taken significant steps over the past year towards fulfilling one of our key objectives, i.e. formation of a fully integrated structure within the Group. I have no doubt that in 2015 we will make rapid headway in the vanguard of this sector and successfully put our stamp on brand new investments and projects serving to add value to Turkey.

We achieved a strong financial and operational performance in 2014 by significantly increasing the number of our customers especially in mobile and fixed broadband. Our consolidated revenues in 2014 reached TL 13.6 billion, while our consolidated EBITDA exceeded TL 5 billion by a yearly increase of 1.2%. Throughout the year, we not only continued to achieve our goal of providing maximum benefits to our consumers by continually expanding our products and services portfolio, but also continued our contributions to the Turkish economy through our ever increasing profitability.

As Turkey's leading communication technologies company, we continue shaping the future of telecommunication sector with our innovative vision by making digital transformation a reality. We continue to strive to add value to the Turkish economy, while presenting the most innovative technologies to our customers. As of today, Türk Telekom Group continues to be Turkey's largest telecommunication and technology company, with 13.2 million fixed access lines, more than one million high-speed fiber infrastructure subscribers, and a total of 7.6 million broadband and 16.3 million mobile subscribers.

As a company offering its products and services to customers in all 81 provinces of Turkey, our principal objectives at all times include responding rapidly to the needs of our customers and improving the efficiency of our operations. To this end, we have taken significant steps on the path to integration by increasing synergy between our Group companies in order to deliver more added value to our customers. This integrated structure will effectively make Türk Telekom Group a one-stop-shop that addresses all communication needs of our consumer and corporate customers.

Our infrastructure investments continue at full speed, with our consolidated investments in 2014 having reached 2.1 billion TL. On fixed infrastructure side, we continued developing our fiber network reached 193 thousand kilometers throughout Turkey, whilst on the mobile side continuing our 3G infrastructure investments. Throughout the year of rapidly increasing internet and data consumption trend of consumers, we were able to meet this ever-increasing demand thanks to our integrated communication infrastructure and technological services. Fixed broadband subscribers reached 7.6 million, and mobile data revenues increased by 76% in 2014. Broadband revenues grew by 8.5% over the year with increases in both average revenue per-subscriber and per-user. The share of subscribers with 16 Mbps and higher speeds has risen to 49% as of the end of 2014. Together with 395 thousand hypernet subscribers on our fiber to the cabinet (FTTC) network, total number of high speed subscribers over our fiber network exceeded 1 million. Not only we stand as a leader in Turkey with our investmets in fiber technology, but also Turkey stands as the 17th in the European FTTH (fiber-to-the-home) list in fiber penetration, ahead of many European countries. The decline in year on year revenue loss in fixed voice to 8.5% level in Q4 2014 is an improvement compared to 12% and 10% levels realized in the previous quarters.

We enhanced the scope of our strategic investments in 2014, achieving noteworthy success in our value added services. While on one hand focusing on expansion of ecosystem with new digital services and applications, thus further enriching the content of digital platforms, on the other hand we penetrated into many new business areas from e-commerce to digital payment systems.

FIBER NETWORK REACHED 193,000 KM

We continued developing our fiber network reached 193 thousand km throughout Turkey and 3G infrastructure investments.

On corporate side, we maintained our position as an end-to-end ICT (Information and Communication Technologies) service provider, providing not only BuluTT (Cloud) services, but also data centre and security services. Included among our priorities was also the development of new solutions to meet the needs of our corporate customers. Accordingly, we met with our SME (Small and Medium Scale Enterprise) and Large-Scale customers all over the country in order to promote our secure, top quality, rapid and flexible products and services and provide technological support to them.

Türk Telekom Group's ability to diversify its products was further increased by our continued transition towards high speed internet and fiber. We continued to further develop and enrich the contents of Tivibu, an IPTV platform that has given a new dimension to Turkey's broadcasting sector. We ended 2014 with an exciting collaboration adding real dynamism to the sector. We decided to make TV broadcasting one of our major business lines and, as a result, made a significant investment in broadcasting by acquiring the rights to broadcast two of the world's largest sporting events: UEFA Champions League and UEFA Europa League. Starting with 2015-2016 season, Tivibu shall broadcast all football matches of UEFA Champions League and UEFA Europa League for the next 3 seasons. Adding satellite to IPTV services, Tivibu will reach larger audiences while entirely differentiating the TV watching experience in Turkey, with its developed broadcasting technology and rich contents.

On the other hand, mobile communication, as an indispensable part of our daily lives, maintains its importance on both voice and data. In 2014, we expanded our subscriber base and achieved a record-breaking increase in mobile data. We maintained

2014 has become a landmark year for our Group. We conducted a very successful debut 1 billion dollar Eurobond issue which became the largest and the first dual tranche corporate bond offering.

12% INCREASE IN MOBILE REVENUES

We maintained the growth of our mobile revenues with an annual increase of 12% in 2014.

the growth of our mobile revenues with an annual increase of 12% in 2014. This achievement was greatly affected by increasing our total mobile subscribers by 1.8 million to reach 16.3 million in 2014, and maintaining our leadership in Turkey in terms of the share of postpaid subscribers, and achieving a remarkable growth in data revenues. It is striking that we had 1.8 million net adds in mobile as a Group and what is noteworthy about growing subscriber base is the rising number of postpaid subscribers. We increased our share of postpaid subscribers year on year from 45% to 48% – and defend our leadership in having most postpaid subscriber rate. We continue to forge ahead during transition to 4G – LTE technology. We broke a new record by reaching a speed of 3.6 Gbps per second in the 4G speed test conducted in 2014, thus quadrupling the country's previous speed record. Besides this 4G speed record, we tested 4x4 MIMO technology with a simultaneous live demo for the first time in Turkey and reached a speed of 300 Mbps by using a single carrier. We also reached 300 Mbps by aggregating two carriers with LTE-Advanced CA.

Avea's competitive strategic actions helped it to maintain its leadership in smartphone ownership in 2014, and its smart device-supported campaigns brought dynamism to the mobile market and solidified Avea's leadership. Our smartphone penetration increased to 52% by the end of 2014.

2014 has become a landmark year for our Group. We conducted a very successful debut 1 billion dollar Eurobond issue which became the largest and the first dual tranche corporate bond offering out of Turkey. The transaction was priced at a very low cost; just 30 bp above Turkish Sovereign issuances of similar tenor. Order book was oversubscribed at a rate above 8 times. Turk Telekom will achieve its key objectives with this transaction diversifying and extending its funding base, extending the maturity of our funding, reducing the cost of our borrowings. With this issuance, our company demonstrated very solid financial and business fundamentals as well as the strong balance sheet metrics and Standard and Poor's (S&P) upgraded our corporate credit rating to BBB- (investment grade level). Together with our investment grade rating from Fitch, we now have two investment grade ratings from the two major international credit rating agencies that cover our company.

Türk Telekom Group is developing various programs designed to open doors to fresh opportunities for future generations in line with our corporate vision. PILOTT - Turk Telekom Group's Startup Accelerator Program was set up in 2013 to create economic benefit in collaboration with innovative initiatives, and also enjoyed a successful year in 2014, positioning our company as an important player in the entrepreneurial ecosystem. Just in a year 21 innovative startups were selected. Seven of them received investments from angel investors and venture capitals, and another seven became Turk Telekom Group's business partners. PILOTT - Turk Telekom Group's Startup Accelerator Program received the major award in "Amplify – Change Your Potential" category in the Game Changers Turkey 2014 Awards as well as the prestigious METU Crystal Tree Award.

Türk Telekom Group represents a very significant source of dynamism in Turkey, thanks to huge power of its workforce over 34 thousand in 81 provinces. Being the largest employer in telecommunication sector, our Group creates a huge employment effect of 136 thousand people with families of employees included. This year, this power is registered as the "Largest Employer" in Capital's Top 500 Survey Awards. In addition, according to a survey of Brand Finance, one of the leading brand valuation companies in the UK, we are named as the most valuable brand of Turkey once more in 2014, thus setting a record by being selected as the most valuable brand of Turkey for six consecutive years.

Türk Telekom brand achieved important recognition at a global level. Türk Telekom International (TTI) continued its operations, offering international data and voice communication with its fiber optic network of 40 thousand kilometers in 20 countries. Türk Telekom International further makes us proud with its achievements in Global Carrier Awards, a prestigious award in its industry. In Global Carrier Awards 2014, Türk Telekom International was declared the 'Best Data and Wholesale Voice Carrier' in Central & Eastern Europe for the second year running, as well as winning the 'Best Middle Eastern Project' award. These awards demonstrate the recognition received from global telecommunications sector with the strength of Türk Telekom brand, and with our commitment to providing an excellent service.

As well as our investments in technology, infrastructure and human resources directed at Turkey's digital transformation, we continue to contribute to society with social responsibility projects under the nationwide 'Value to Turkey' concept. The first 'Telephone Library', established three years ago in collaboration with Bosporus University's Technology and Training Laboratory for the Visually Impaired (GETEM), has reached 3 million minutes of listening time providing hundreds of

WORKFORCE OVER 34,000

Türk Telekom Group represents significant source of dynamism in Turkey, thanks to its workforce over 34,000 in 81 provinces.

FIBER OPTIC NETWORK IN 20 COUNTRIES

Türk Telekom International (TTI) continued its operations with its fiber optic network of 40,000 km in 20 countries.

books and other contents for the visually impaired over landlines throughout Turkey. Our Türk Telekom Amateur Sports Clubs project has so far nurtured more than 30 thousand sportsmen and women in collaboration with 46 sports clubs in every corner of the country. Included among our sportsmen and sportswomen are hundreds of young people who have selected to the national teams and have won medals at international competitions. Thus, we are proud of contributing to Turkey's success in international sports. In addition, we continue our social responsibility projects with our Türk Telekom Sports Schools designed to increase young people's awareness and love of sports. Our social project 'Türk Telekom Removing Barriers in Communication' continues to ease the lives of the hearing or speaking impaired, by using our 'Unimpaired Message' service.

Türk Telekom Group's collaborative efforts are guided by our transparent, honest and efficiency-based management approach that has successfully pioneered the extensive ecosystem we have established throughout the country. As we maintain our investment programs aiming to deliver innovative and integrated services to our customers and meet changing expectations in the most rapid and effective manner, we are also committed to maintaining our collaboration with our stakeholders in the public and private sectors. We are thrilled by the challenges and prospects of a new year and are ready to put our name to further successes based on integration of technologies and the great strength of Türk Telekom Group and on contributions of over 34 thousand invaluable employees. I am grateful to all of you who share our sense of commitment and enthusiasm.

TÜRK TELEKOM MANAGEMENT

RAMİ ASLAN
CEO and Member of Board of Directors
Rami Aslan is the Chief Executive Officer and 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 and mobile companies "TTNET" and "AVEA". Mr. Aslan serves also as Chairman of the Board of Directors of several technology companies, including Argela, Innova and Sebit; one of the largest call centers in Turkey "AssisTT" as well as international capacity provider Turk Telekom International Group. After obtaining his Bachelor degree with a major in Management Information Systems from McGill University in Canada and working for a few years in the IT sector in Ontario, Canada. Mr. Aslan pursued his studies and obtained his MBA degree at McGill in 1997 and later joined TD Bank of Canada Corporate Banking Division covering the Information Technology and Telecommunications Sector. He later joined Citigroup where he worked mainly covering the sector out of London, and later Bahrain and Dubai. Mr. Aslan joined the Dubai based Oger Group in 2005. During his nine years with Oger, Mr. Aslan oversaw the share transfer period following the privatization of Türk Telekom in November 2005 and has later taken the helm of the CEO and Executive Board Member of Oger Telecom Ltd. in Dubai. In December 2013, Mr. Aslan took over the Türk Telekom Group CEO role and has started the recent transformation and integration initiatives in the Türk Telekom Group Companies.

ERKAN AKDEMİR
CEO of the Consumer Business Unit, TTNET
CEO, Avea
Erkan Akdemir has been appointed CEO of Avea as of June 2009 and CEO of the Consumer Business Unit of TTNET as of December 30, 2014. Before joining Avea, he was the CEO of Cisco Systems Turkey. Previously, he served as the Chairman of Board of Directors of Kablo Net and of Eurasiasat, and he led Türk Telekom as the Chairman of Board of Directors from 2002 until the privatization of the company. Other highlights of his career include key leadership positions in the State Planning Organization and being a founding Board Member of the Telecommunications Regulatory Authority of Turkey. Akdemir has a B.S. degree from the Department of Electrical and Electronics Engineering of Hacettepe University and an M.S. degree in Telecommunications from Colorado University in USA.

MEHMET ALİ AKARCA
CEO of the Corporate Business Unit, TTNET
Mehmet Ali Akarca holds a bachelor's degree in Industrial Economics from the University of Nottingham and an 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 was General Manager of BookinTurkey.com (2001-2003), General Manager of Koc.net Telecom (2003-2011), and Deputy General Manager of Koç Media Marketing (2011-2012). He joined Türk Telekom in October 2012 as Vice President of Marketing and Communications Department (later renamed as Corporate Department in December 2012). Mr. Akarca has served as Chief Corporate Commercial Officer between September 2014 - December 2014 and has been CEO of the Corporate Business Unit of TTNET since December 30, 2014. Mehmet Ali Akarca is married and has two children.

KAAN AKTAN
Chief Consumer Finance Officer, TTNET
After Galatasaray High School, he was graduated from Boğaziçi University, Economics in 1995. He started his career at Anadolu Group. He had worked in PepsiCo-Pepsi Bottling Group Turkey Operation since 2002 and he had worked in Texas Pacific Group Investment Fund Turkey Asset Management companies as financial manager since 2007. He joined Türk Telekom in 2010 as Director of Financial Projects. He was appointed as TTNET CFO in May, 2013. He has assumed the roles and responsibilities of TTNET CEO in addition to his current roles and responsibilities and became Acting CEO of TTNET between September 2014 and December 2014. He has been Chief Consumer Finance Officer of TTNET since February 16, 2015. Kaan Aktan is married with two children.

BAHATTİN AYDIN
Chief Human Resources Officer
He graduated from Boğaziçi University, Psychology in 1995. He did his master degree from Marmara University, Human Resources in 1998. He began his business life in United Parcel Services Turkey as Human Resources Manager in 1997. Between 1998 -2010, he worked as Group Manager in Recruitment, International Operations and Informatics Departments, and worked as Director in Retail Group in Yıldız Holding's Human Resources General Management line. He was the Director of Human Resources of Sugar, Chewing Gum, Beverage and Marketing Departments in Yıldız Holding before he joined the Avea. He started his Avea career on December, 2010 as Human Resources Senior Director. He attended Harvard Business School and INSEAD Leadership and Human Resources Management programs. Aydın, who has Coaching Training Institute (CTI) Professional Coach Certificate, is also member of Organizational Learning and Team Coach of Learning Organization. Aydın who is a member of Boğaziçi Yöneticiler Vakfı's Board of Trustee, is also Head of Ethical Committee of Avea. He is lecturing at various universities as guest lecturer in the fields of human resources. He is married with three children.

HÜSEYİN BALCI
Chief Consumer Sales Officer, TTNET
After completing his undergraduate study in finance at Anadolu University, Faculty of Economics and Administrative Sciences in 1994, Hüseyin Balcı started his professional career in 1997 as the "Chain Stores Sales Representative" in Atlas Gıda Pazarlama, an affiliate of Yıldız Holding A.Ş. Between the years 1999 and 2006, in Rekor Gıda Pazarlama, a subsidiary of the group, he undertook the tasks respectively as followed: Chain Stores Chief Sales Officer, Sales Operation Manager and Turkey Sales Manager. In 2006, after being appointed as Deputy Director General at Merkez Gıda Pazarlama, a sales company operating on "cooking oil" category, he was assigned in the same company as the General Director in 2009-2011. Between the years 2011 and 2012 he undertook the General Director position in Atlas Gıda Pazarlama, a sales company operating on "cookie-cake" category. Before joining Avea in 2013 as a Chief Sales Officer, he worked as General Manager at Ülker Bisküvi A.Ş. Ticaret. He is the Chief Consumer Sales Officer of TTNET since September 2014.

NECDET MERT BAŞAR
Chief Corporate Marketing Officer, TTNET
N. Mert Başar assumed the Chief Marketing Officer position at TTNET in April 2013, and has been working as Chief Consumer Marketing Officer, Fixed Line between September 2014-December 2014 and has been Chief Corporate Marketing Officer of TTNET since December 30, 2014. Previously, he was the Marketing Director for Corporate Customer Segment at Turkcell, a position he held for six years, and earlier, he worked at Compaq Computer and Hewlett Packard as Sales and Marketing Manager. Mert Başar graduated from Kadıköy Anatolian High School and holds a Bachelor's Degree on Business Administration from Istanbul University.

KADİR BOYSAN
Chief Corporate Sales Officer, TTNET
Having worked in Avea between September 2009 and December 2014, Kadir Boysan graduated from METU Industrial Engineering and got his postgraduate degrees from Imperial College, London School of Economics and Yale University, respectively. Starting his professional life in P&G as brand manager, he worked as brand manager responsible from Middle East at RJ Reynolds International. He successfully completed many projects on strategy development and performance enhancement at telecommunications, retailing, banking and many other sectors while working in Bain & Co between 2000-2007. Before joining Avea family, Kadir Boysan worked as executive at MasterCard Advisor and lead building and application of strategy for MasterCard Europe and primary banks. He firstly worked as Strategy VP, then he has worked as Partnership and

Business Development VP in Avea and has been working as Chief Corporate Sales Officer of TTNET since December 30, 2014.

DR. NAZİF BURCA
Head of Internal Audit
Nazif Burca graduated from the Public Administration Department of Ankara University in 1990. He began work as an Accounting Controller and Chief Controller in the Ministry of Finance between 1990 and 2003. Mr. Burca earned his master's degree in Finance at Illinois University, USA in 2002. He was appointed as Türk Telekom Vice President of Finance in February 2003. He held this position until November 2006. In December 2006 he was assigned as Consultant to the CEO and served in that role until June 2007. He has been working as Head of Internal Audit since July 2007. Mr. Burca completed his doctorate studies in accounting and finance. He is married and has three children.

DOĞAN COŞGUN
Chief Legal Officer, Avea
Doğan Coşgun, who begun working at Avea İletişim Hizmetleri A.Ş. in May 2011, graduated from Istanbul University Law Faculty in 1996 and received his Master Degree in Private Law Section at Marmara University in 2003. Having worked at various private law firms and legal departments of private companies, Mr. Coşgun took office at Yıldız Holding A.Ş. between the years 2000 and 2008 respectively as Lawyer, Legal Counsel, Legal Affairs Director, and he served as Chief Legal Officer at Turkuvaz Media Group between the years 2008 and 2011. After working as Legal Affairs Director at Avea between the years 2011 and 2014, Doğan Coşgun was appointed as Chief Legal Officer in May 2014.

DR. RAMAZAN DEMİR
Chief Regulation Officer
After Ankara Science High School, he was graduated from Bilkent Industrial Engineering and got his doctorate degree from MIT, Sloan School of Management on act of operating. He developed and managed investment models at leading asset management company Putnam Investment. He founded and managed operational efficiency departments in leading aviation companies at capital free market between 2000 and 2005. He worked as Manager and Director responsible from Global Marketplace design, search engine and vertical product portfolio at Yahoo between 2005 and 2009. He had worked as Strategy and Business Development VP at Türk Telekom between October 2009 and October 2012. Dr. Demir lastly worked as consultant on strategy, regulation and digital subjects. He worked as advisor to board at one of the leading media groups, Adconion. He has five certificated patents on internet technology, search engine and digital services. Dr. Demir is leading group wide regulations function. He is married with two children.

HAKAN DURSUN
Chief Strategy and Business Development Officer
Hakan Dursun leads Türk Telekom Group strategy function as Chief Strategy and Business Development Officer. Previously, as the Adviser to Türk Telekom Group CEO, he has worked closely with the boards of directors and executive teams of Türk Telekom Group companies, and has thus taken an active part in many projects having strategic priority for the Group. Hakan Dursun has started his career in strategic management consulting in The Boston Consulting Group's (BCG) Istanbul office, and continued his career in New York office of the same company. Having put his signature under a great many of important projects in such different industries as finance, energy and banking, Hakan Dursun has

then continued his consulting career in Booz Allen Hamilton and Delta Partners companies in Turkey and the Middle East. He has played a pioneering role in defining strategies and restructuring the leading telecommunication operators in the region. Following his consulting career, Hakan Dursun has assumed the regional director role in charge of Turkey and the Mediterranean countries at British Telecom (BT), and throughout his executive career, he has carried out many successful projects and partnerships in strategy, transformation, technology and commercial fields with the leading telecommunication operators in the region. Hakan Dursun has graduated with high honors degree from Industrial Engineering, Boğaziçi University in Turkey, and has then had an MBA (Master of Business Administration) degree from the same university with high honors.

FIRAT YAMAN ER
Chief Business Planning Officer
He has graduated from Boğaziçi University Business Administration and completed his MBA in San Francisco State University. He has been serving as Chief Business Planning Officer at Oger Telecom responsible for the five year plans of Oger Telecom's subsidiaries operating in Southeast Europe, Turkey, Middle East and South Africa, prior to his appointment as Chief Business Planning Officer of Türk Telekom. Prior to joining Oger Telecom Limited, Mr. Er started his carrier at Doğan Holding in 1997, evaluating their investment opportunities in various sectors. Afterwards, Mr. Er joined Aria İletişim Hizmetleri A.Ş., the challenger mobile operator in Turkey in 2001. He took active role for the merger of Aria and Aycell and continued his role in Avea İletişim Hizmetleri A.Ş. after the merger. Mr. Er has extensive knowledge of strategic planning and mergers & acquisitions and over 10 years of telecommunications experience. He is married and has one daughter.

METİN ERHAN
Chief Procurement and Vendor Management Officer
He has graduated from Istanbul Technical University Electronics and Communication Engineering, then he got his master's degree in Controlling and Computer Engineering in the same university in 1993. While continuing his master's, he began his business life at Alcatel-Teletas as software engineer and after completing his military service, he served in several international and domestic functions of the same firm (R&D, Sales Support, Project Management). He switched to Hewlett Packard as Telekom projects manager in 2008 and after working two years at Hewlett Packard, he started working as Procurement Director at Avea. In addition to this position, he had managed Change Management Directorate function for a while. Lastly, he worked as Technology Operations Senior Director and was appointed as Chief Procurement and Vendor Management Officer on April 30, 2014.

DEHŞAN ERTÜRK
Chief Consumer Marketing Officer, TTNET
He graduated from Marmara University, Department of Economics (English) and got master degree in New York City University, Department of Marketing. Starting out as Account Manager in Procter & Gamble in 1998, Ertürk served as a consultant besides his master education between 1999-2002. Before joining Avea in 2010, he took office as Product Manager in Ülker between 2004-2005 and assigned in Turkcell as Customer Gaining Marketing Manager, gnctrkcll Program Management Director, Prepaid Card Loyalty and Income Management, Marketing Manager and Department Head in charge of Corporate Strategy, respectively between 2006-2010. He has been working as Chief Consumer Marketing Officer of TTNET since December 30, 2014.

ABDURRAHMAN GÜVENLİOĞLU
Chief Support Services Officer
He has graduated from Bilkent University Computer Technologies Department and Anadolu University Faculty of Economics. After years of merchandising, in 2005 he began working in Türksat Uydu Haberleşme ve Kablo TV İşletme A.Ş. as Administrative and Social Affairs Manager. He took roles in all official processes during the demerger process of Cable TV from Türk Telekom to Türksat A.Ş. before the privatization of Türk Telekom. After the demerger he continued working as Cable TV Content Manager. Between 2011-2014 he served as TTNET Procurement and Tivibu Content Director. He has been appointed as Chief Support Services Officer on April 30,2014. He is married with three children.

TEVFİK FİKRET KARAMAN
Chief Field Management Officer, Türk Telekom
He has graduated from Yıldız Technical University, Faculty of Electric and Electronic in 1984 and completed his masters in the same faculty. He started his business life in Konya Turkish Post Office Headquarter as an exchange engineer in 1988, then he worked as an exchange principle engineer in 1990, as Türk Telekom Konya Deputy Manager in 1996 and as Türk Telekom Konya Manager in 2006. He worked as TT South-1 Antalya Regional Manager between 2009 and 2011, then he worked as an advisor to CEO and as Türk Telekom Konya Manager again. He is appointed as Türk Telekom Chief Field Management Officer on April 30, 2014. He is married with two children.

MURAT KIRKGÖZ
Chief Financial Officer
Mr. Kırkgöz graduated from Boğaziçi University's Mechanical Engineering Department in 1996 and started his career at Koç Group that same year. He joined Aria in 2001 and served in various roles in the Finance Department until the company merged with Aycell to form Avea in 2004. He served as Budget & Control Director (2005), Interim Chief Financial Officer (2009), and Finance Transformation Director (2010) in Avea. In 2011 he was transferred to Oger Telecom as Deputy CFO, Group Financial Controller. He was appointed as Türk Telekom CFO effective October 9, 2012. Mr. Kırkgöz is married and has two children.

ORÇUN ONAT
Chief Consumer Customer Care Officer, TTNET
After graduating from METU Industrial Engineering, he started his career as R&D specialist at Migros. He worked as Marketing project leader, Head of Marketing strategic planning and coordination and Head of CRM and Migros Club Card respectively. He developed projects on customer Loyalty programs, campaign management, segmentation and channel management and elected as Best Koç Employee in 2005. He completed MBA program at Koç University. Joining Ramenka Russia in 2005, he worked as deputy CEO responsible from marketing, sales, category management and logistics. Simultaneously, he was Board Member and head of procurement at Malina Customer Loyalty Coalition Program and Efficient Consumer Response Organization in Russia. He worked as Customer Services Group VP of Avea between August 2009-September 2014. Mr. Onat has been Chief Customer Care Officer of TTNET since September 2014. He awarded for 3 consecutive years at Stevie Awards on Customer Services Management category.

KAAN SÜMER
Chief Corporate Finance Officer, TTNET
Kaan Sümer graduated from Political Science and International Relations Department of Boğaziçi University on 1999 and completed his Executive MBA at Bahçeşehir University on 2012. Kaan Sümer started his professional career at PriceWaterhouseCoopers Consultancy Services Department on 2000 and left PWC on 2003 as an Expert Consultant. Then he worked at Yaşar Holding as a responsible Executive of Financial Control of Food Branch till 2005. Between 2005-2007, he worked as Consultancy Unit Manager of Deloitte. Having the Certified Public Accountant status, Kaan Sümer had been working as the Director of Consolidation and Financial Reporting at Oger Telecom just before participating Avea in 2013. He has worked as Avea CFO between March 2013-February 2015 and has been working as Chief Corporate Finance Officer of TTNET since February 16, 2015.

DR. COŞKUN ŞAHİN
Chief Technology Officer
He has graduated from Istanbul Technical University, Electronics and Communication Engineering in 1987 and he got his master's degree in 1990 in the same department, his Ph.D degree in Controlling and Computer Engineering in 1997. After working for TÜBİTAK Information Technologies Institute between 1991 and 1997 and working as researcher and technical manager in automation, defense industry and consumer electronics sectors, he had worked in GSM sector in several positions since 2001. He has been serving as Avea Technology Vice President since 2009 and was appointed as Türk Telekom Technology Vice President on April 30, 2014, to lead technology, network and operations organizations across Türk Telekom and Avea, in September 2014 TTNET was added to his responsibilities. He has several international scientific and technical articles, technical reports and seven patents in electronics and communication fields.

CEMİL YILDIRIM
Chief Administrative Affairs Officer, Avea
Cemil Yıldırım holds a BA degree in Business Administration from Marmara University, Faculty of Economics and Administrative Sciences. He served as, Chief Accounting Officer at İzdaş Foreign Trade Inc., Chief Executive Officer and Board Member at Atermit Inc., Advisor to Belbim Inc. CEO, Assistant General Manager, Deputy General Manager at İSTAÇ Inc., Assistant General Manager at BİMTAŞ Inc., Board Member at İSTON Inc., Advisor to Turkland Bank CEO, respectively. In 2008, Mr. Yıldırım joined Avea as the Chief Administrative Officer. He is married with two children.

CEOS OF TÜRK TELEKOM GROUP COMPANIES

ÜMİT ATALAY
Innova 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 five 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
Innova 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 A.Ş., 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.

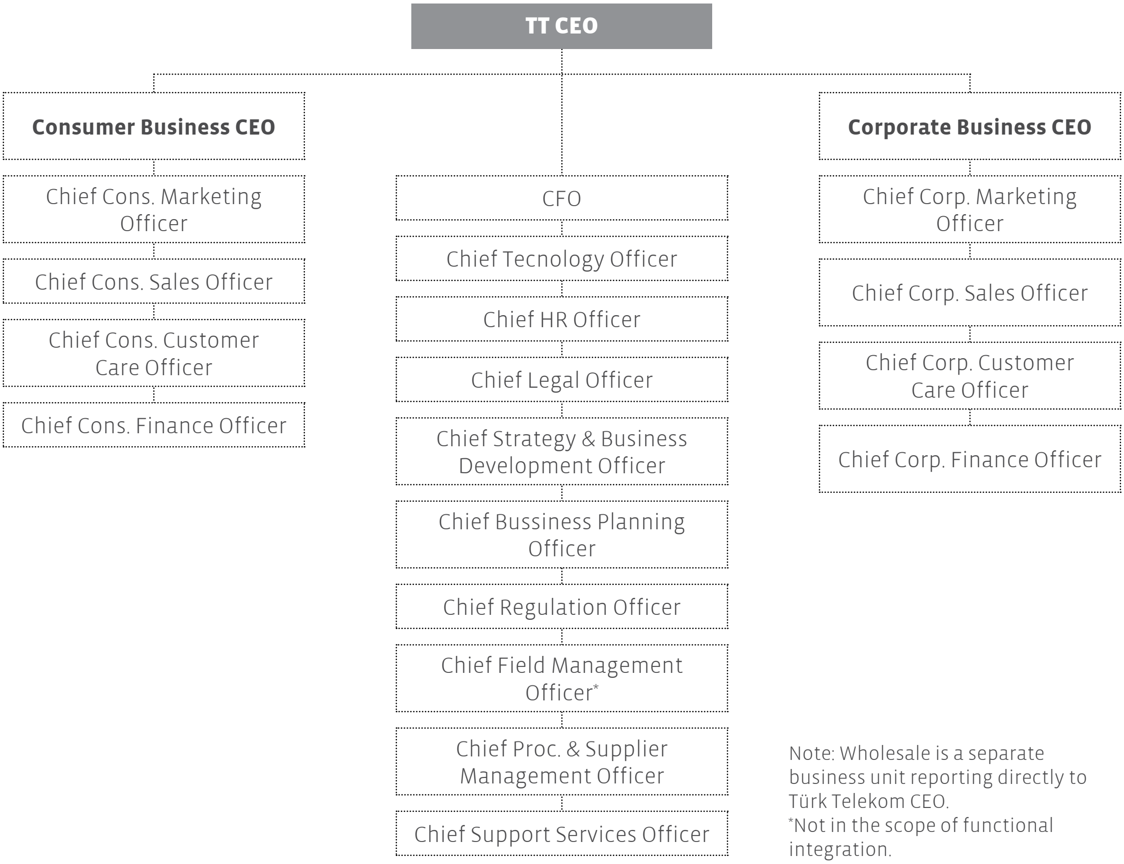
CENGİZ ÖZTELCAN
Turk Telekom International CEO
Cengiz Öztelcan was appointed as the acting CEO of Turk Telekom International on June 2013. Prior to that, he was the Chief Marketing and Sales Officer of Turk Telekom International (Pantel). He was the International Investments Director in Türk Telekom 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 five 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



Note: Wholesale is a separate business unit reporting directly to Türk Telekom CEO.
*Not in the scope of functional integration.

With the three-phase implementation of the integration project in 2014, Türk Telekom Senior Management ensured that the “Service at One Point” approach was provided efficiently and effectively. This initiative targeted differentiating the Group from its rivals; achieving sustainable growth with a customer oriented approach; meeting customer needs and expectations in technology and communication services more efficiently by offering both mobile and fixed services in the market; and providing more value-added to customers by centralizing the management of sales channels and commercial functions.

In Phase 1, Türk Telekom:

› restructured the marketing model of fixed voice and data services;
› centralized the executive management of the Network/Operations and Technology functions of Türk Telekom and Avea in order to take advantage of the opportunities in convergence technologies and to achieve greater efficiency and benefits in the operations;
› centralized several support functions of Türk Telekom Group in order to support the restructuring in commercial and infrastructure areas.

In Phase 2, Türk Telekom:

› centralized the management of all the Group's mobile and fixed individual sales related activities;
› centralized the management of the Group's customer relations units of mobile and fixed line operations;
› centralized the management of all the Group's mobile and fixed corporate marketing, corporate sales and corporate customer relations units.

In Phase 3, Türk Telekom:

› centralized the management of consumer business units of Türk Telekom Group in order to meet all communication needs and expectations of individual customers with a wide range of end-to-end solutions in mobile, fixed voice and broad band television, content and recreational services;
› centralized the management of corporate business units in order to efficiently and securely provide company, SME and small/home office customers with high technology products and services as corporate business partners;
› structured TTNET in two separate General Departments: the Consumer and Corporate Business Units.

As a result of these phases:

› Erkan Akdemir in addition to being Avea CEO was appointed TTNET Consumer Business Unit General Manager.
› Mehmet Ali Akarca was appointed TTNET Corporate Business Unit General Manager.

Under the Consumer Business Unit:

› TTNET Chief Consumer Sales Officer Hüseyin Balcı was appointed Head of Türk Telekom, Avea and TTNET's consumer sales functions.
› TTNET Chief Consumer Marketing Officer Dehşan Ertürk was appointed Head of Türk Telekom, Avea and TTNET's consumer marketing functions.
› Kaan Aktan was appointed TTNET Chief Consumer Finance Officer.
› TTNET Chief Consumer Customer Services Officer Orçun Onat was appointed Head of Türk Telekom, Avea and TTNET's consumer customer services functions.

Under the Corporate Business Unit:

› TTNET Chief Corporate Marketing Officer Mert Başar was appointed Head of Türk Telekom, Avea and TTNET's corporate marketing functions.
› TTNET Chief Corporate Sales Officer Kadir Boysan was appointed Head of Türk Telekom, Avea and TTNET's corporate sales functions.
› Kaan Sümer was appointed TTNET Chief Corporate Finance Officer.
› A new Chief Corporate Customer Services Officer position was created within the organizational structure of TTNET, but no appointment has yet been made.

Support Units:

› Chief Technology Officer Coşkun Şahin was appointed Head of Technology, Network and Operations at the Group level.
› Chief Strategy and Business Development Officer Hakan Dursun was appointed Head of Strategy at the Group level,
› Chief Business Planning Officer Fırat Yaman Er was appointed Head of Business Planning at the Group level.
› Chief Purchasing and Vendor Management Officer Metin Erhan was appointed Head of Purchasing at the Group level.
› Chief Human Resources Officer Bahattin Aydın was appointed Head of Human Resources at the Group level.
› Türk Telekom Chief Field Management Officer Tevfik Fikret Karaman was appointed Head of Field Management.
› Chief Support Services Officer Abdurrahman Güvenlioğlu was appointed Head of Support Services at the Group level.
› Ramazan Demir was appointed Chief Regulation Officer at the Group level.

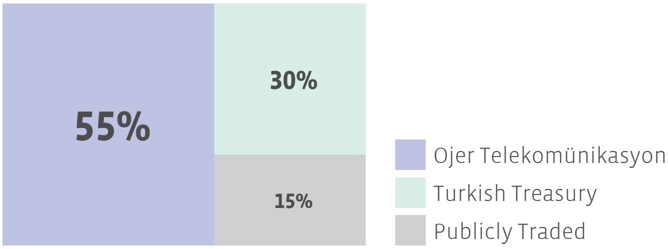
Chief Human Resources, Regulation and Support Services Officer Şükrü Kutlu; Chief Operations Officer Memet Atalay; Chief Legal Affairs Officer Can Esen; Chief Technology Officer Timur Ceylan; Chief Strategy and Business Development Officer Gökhan Kayalıbay; and Chief Field Management Officer Haktan Yaşar Kılıç left their respective positions on April 30, 2014.

TTNET CEO Abdullah Orkun Kaya; TTNET Chief Technology Officer Şahin Şen; Türk Telekom Chief Legal Affairs Officer Ahmet Bülter; and TTNET Chief Consumer Sales Officer Ali Yılmaz left their respective positions on September, 15 2014.

CAPITAL STRUCTURE AND CHANGES

Share ownership of Ojer Telekomünikasyon A.Ş. is 55%, The Turkish Treasury's 30% and the public's 15% in Türk Telekom's strong capital structure.

- 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%.



SECTOR OUTLOOK

As of year-end 2014, Türk Telekom boasted the country's most extensive fiber infrastructure with a 193 thousand km network across all 81 cities.

7% GROWTH IN THE FIRST NINE MONTHS

After 5% growth in 2013, Türk Telekom and the mobile network operators posted 7% growth revenue in the first nine months of 2014.

1,094 AUTHORIZATIONS

In the electronic communications sector, 654 operators are active with total authorizations numbering 1,094, as of November 2014.

TURKISH TELECOMMUNICATIONS SECTOR

In the Turkish electronic communications sector, 654 operators are active with total authorizations numbering 1,094, as of November 2014. Türk Telekom and the mobile network operators increased their sales revenue by 5% to TL 25 billion in 2013, before they posted a further 7% year-on-year rise in the first nine months of 2014. Including the revenues of other operators, the total sector-wide growth rate for the first three quarters of 2014 amounted to over 9%.

In the first nine months of 2014, a total of TL 3.4 billion was invested in the sector, compared to TL 5 billion in 2013. Capital investments in the electronic communications sector are mainly channeled to fiber networks and 3G infrastructure.

Fixed Voice Market

Mobile accounts for a remarkable 94% of total voice traffic in the Turkish electronic communications sector. The number of fixed telephone subscribers, which has been on a downtrend for some years, dropped to 12.7 million in the third quarter of 2014 while the penetration rate fell two percentage points to 17%. Nevertheless, since the average number of persons per household is 3.69 in Turkey, fixed line telephone services are still widely used by a large segment of the population.

The incumbent operator of the fixed voice market with over 90% share, Türk Telekom continued the "Free Calls from 7pm to 7am between Fixed Lines" promotion in 2014. During the second quarter, the Company offered fixed line subscribers the opportunity to call mobile lines for free on weekends. Türk Telekom also increased its fixed line tariff prices by 6% as of July 1,

TTNET is the leader of the fixed broadband market thanks to its attractive promotional campaigns and tariffs, wide product and service range, and top quality customer services.

2014, in an effort to both preserve the subscriber base and maintain revenues, by blending advantageous promotional campaigns with higher prices.

In recent years, the market has seen an increase in the weight of alternative operators. Wholesale line rental services, introduced to the market in 2012, have allowed alternative operators to offer more flexible fixed line services to customers. These operators generally offer fixed telephony services as a side offering of Internet packages, which form an integral part of their multi-play marketing strategy. TTNET, Türk Telekom Group's Internet service provider, also delivers fixed voice services and is the leader among alternative fixed voice operators with a market share of 53%, as of third quarter 2014.

Broadband Market

The Turkish broadband market has grown from only 6 million subscribers in 2008 to 39.8 million subscribers as of third quarter 2014. The market posted a 28% year-over-year rise in total broadband users as of the third quarter. The main segments driving this growth were fiber connection subscribers (44% growth) and mobile Internet subscribers (41% growth).

The fixed broadband segment, comprised of xDSL, fiber and cable Internet users, includes some 8.6 million subscribers in total as of third quarter 2014. Although xDSL remains the dominant technology in the market, there was a striking increase in the number of fiber connection users. While total users grew 6% or by 517 thousand subscribers in third quarter 2014, fiber subscribers climbed 44% or by 426 thousand users. Total fiber Internet subscribers rose to about around 1.4 million as of third quarter, and their share in the fixed broadband market amounted to 16%.

The 42% fixed broadband penetration rate in Turkey remains significantly below the rate of 60% and above in the European market, suggesting significant growth potential. Operators have boosted their infrastructure investments in fiber and rapidly expanded high-speed network coverage in Turkey. As of year-end 2014, Türk Telekom boasted the country's most extensive fiber infrastructure with a 193 thousand km network across all 81 provinces. Türk Telekom served 729 thousand fiber users as of year-end 2014.

Türk Telekom is an incumbent operator in Turkey's fixed broadband market and provides wholesale services via its wholly owned subsidiary TTNET. TTNET is the leader of the fixed broadband market thanks to its attractive promotional campaigns and tariffs, wide product and service range, and top quality customer services. TTNET's market share stood at 77.5% in third quarter 2014, while the second biggest player Superonline held a 14.2% share.

As of third quarter, total fixed broadband usage in Turkey amounted to 1,074,776 TB. Of this total, 91% corresponds to data download and 9% to data upload. While 53% of the country's fixed broadband users prefer packages with a connection speed of 4-8 Mbps, the percentage of those preferring speeds of 10-30 Mbps has risen to 35%. Due to the expanding capacity and demand for high speed Internet, TTNET led the pack by doubling the starting speed of ADSL packages, from 8 Mbps to 16 Mbps in 2014. In the company's fiber packages, the starting speed was set as 24 Mbps. The average monthly usage of TTNET subscribers stands at 53 GB. TTNET's fiber and VDSL (fiber to the field cabinet) subscribers, who enjoy high speed and capacity, exceeded 1 million, while the percentage of unlimited package subscribers went up from 80% to 87%. Similarly, subscribers with packages with a quota of over 50 GB rose from 18% to 24% year-on-year.

The mobile broadband market saw user numbers climb to more than 31 million in third quarter 2014, up 36% year-over-year. In the same period, the number of users who access the Internet via mobile phones soared 41% to 29.8 million, in parallel with the rise in smartphone penetration. Avea maintained its market leading position in terms of customer smartphone penetration, with a rate of 52% in 2014. Meanwhile, the number of users accessing the Internet via PCs dropped 27% to 1.3 million in the same period. The mobile broadband market, with speed and capacity lagging behind fixed broadband, saw total usage of 84,940 TB in the third quarter of 2014. A breakdown of mobile Internet users indicates that a high percentage (27%) prefer capacity of 0-5 MB.

1,074,776 TB

As of third quarter, total fixed broadband usage in Turkey amounted to 1,074,776 TB.

77.5% MARKET SHARE

TTNET is the leader of the fixed broadband market. TTNET's market share stood at 77.5% in the third quarter 2014.

Mobile Market

As of year-end 2014, the Turkish mobile market included 71.5 million mobile phone subscribers. With an approximately 94% penetration rate, the market is served by three operators: Turkcell, Vodafone and Avea. A total of 2.1 million new subscribers have joined the market just in the last year. Avea has accounted for 84% of the total market growth, by acquiring 1.8 million net subscribers year-on-year. In 2014, Avea's market share increased 1.9 percentage points to 22.8%, while Vodafone's share rose 0.4 points to 28.7%, and Turkcell's share fell 2.3 percentage points to 48.4%.

In terms of mobile number portability in the third quarter of 2014, users switched from one operator to another 3,655,772 times, up 5.1% over the previous three-month period. As of the first three quarters of the year, Avea acquired 1.3 million customers (net) through mobile number portability, remaining the champion of number portability in 2014, as was the case in 2011, 2012 and 2013. During the same period, Vodafone acquired 15 thousand users (net), and Turkcell lost 1.3 million users (net).

SECTOR OUTLOOK

In 2014, Avea has become the champion of the market in terms of extending its subscriber base by acquiring 1.8 million new users.

Having launched in Turkey in July 2009, 3G service accounted for 79% of the mobile market with 57 million subscribers as of end-September 2014. In parallel with the expansion of 3G, smartphone penetration and demand soared across the country, boosting the mobile data revenues of operators. Countrywide smartphone penetration rose to 43% as of year-end 2014. Avea's smartphone penetration rate went up from 37% last year to 52% in the last quarter of 2014, helping the Company maintain the highest smartphone penetration rate in the market.

Mobile Internet usage increased around 37% over the prior quarter to total 84,940 TB. During the year, tariffs and packages with increased data content were launched through various promotional campaigns. In parallel, operators' data revenues, and the weight of these revenues in overall revenue, continued to rise. In the last quarter of 2014, Avea outperformed its peers by increasing mobile data revenues 81% on year-on-year; meanwhile, Turkcell's data revenues rose 44% and Vodafone's went up 73% in the same period.

A breakdown of subscribers by prepaid-postpaid reveals that postpaid accounts for 43% in Turkey's mobile market. Given that this figure hovers above 60% in Europe, Turkey's postpaid market still has future growth potential, with higher ARPU. Throughout the year, operators continued efforts to acquire postpaid customers or encourage prepaid customers to switch to postpaid through attractive offerings. As of year-end 2014, Avea remained the market leader in terms of postpaid -ratio, who make up 48% of its total subscriber base. Avea is trailed by Turkcell (44%) and Vodafone (41%).

22.8% MARKET SHARE

In 2014, Avea's market share increased 1.9 percentage points to 22.8%.

In minutes of use (MOU) statistics, which are used to measure the level of mobile telephony usage, Turkey once again surpassed numerous European markets with a monthly average usage of 370 minutes, as of third quarter of 2014. This figure stood at 297 minutes in France, 233 minutes in Italy and 125 minutes in Germany as of second quarter 2014 On the basis of operators; Vodafone has 423, Avea has 415 and Turkcell has 279 MOU per month in the last quarter of 2014.

TV Market

In Turkey's television market, Digitürk, D-smart and Türksat stand out with their cable TV and satellite TV platforms. Digitürk and D-smart provide satellite services, while Türksat is the only Turkish operator to actively provide cable TV services. On the satellite TV platform, where Digitürk and D-smart each hold a large market share, the number of total paid subscribers increased 125 thousand year-over-year to reach 4 million in third quarter 2014. Digitürk holds a 74% market share while D-smart has a 26% share.

*Data given in Sector Outlook are based on the disclosures of operators and ICTA Market Data Report.

Additionally, in second quarter 2014, a new operator, Filbox, entered the market; however, the new entrant served only 1,100 subscribers as of third quarter 2014. Meanwhile, cable TV services provider Türksat has 1.15 million total cable TV subscribers as of third quarter, down about 40 thousand from the prior year.
Türk Telekom Group company TNET, which for many years was Turkey's only IPTV provider, served 289 thousand IPTV subscribers as of last quarter 2014.
In 2014, Türk Telekom Group purchased the Turkish media rights of UEFA Champions League and UEFA Europe League matches, in a groundbreaking move for the TV market. As a result, all UEFA Champions League and UEFA Europe League football matches will be broadcast, starting from the 2015-2016 season until the 2017-2018 season, on Tivibu, Türk Telekom Group's TV platform. IPTV services, which were pioneered in Turkey by TTNET, are also offered by Superonline, which had 60 thousand subscribers as of year-end 2014.

KEY REGULATORY CHANGES IN 2014

Port-Transmission (PT)

With a resolution issued at year-end 2013, BTK revised the preexisting wholesale broadband tariff model for xDSL data flow access services and approved a new wholesale tariff model called Port-Transmission (PT). The new tariff model came into effect in early October 2014.

Sharing of Facilities

All infrastructure operators, including Türk Telekom, are obliged to share their facilities (i.e. pipeline, channel, niche, et al.) as of September 1, 2013. Türk Telekom's reference offer related to the sharing of facilities came into effect as of August 1, 2014. Operator demands concerning the sharing of facilities are duly met.

Regulations on Retail Mobile - Retail Fixed Voice

Upon BTK's board resolution no. 142 in 2013, a subscription package regulation was imposed upon Turkcell, related to tariffs only. With another board resolution dated January 6, 2014 and numbered 2014/DK-ETD/21, the referenced regulation was extended to include Turkcell's campaigns as well.

ALL FOOTBALL MATCHES ARE ON TİVİBU

All UEFA Champions League and UEFA Europe League football matches will be broadcast on Tivibu.

In consideration of fixed-mobile substitution, BTK has deregulated the market for Calls via Fixed Line, effective as of July 1, 2014. As a result, BTK has relieved Türk Telekom, which is a player in the referenced market, of its obligations as regards providing access, carrier selection and carrier pre-selection, indiscrimination, transparency, tariff control and billing.

As of July 1, 2014, BTK has differentiated Türk Telekom's price squeeze test application for retail tariffs. Previously, the test was carried out ex-ante, that is, before the tariffs were released to the market. Now, it is carried out ex-post, that is, after the tariffs come into effect.

VULA Service

In February 2014, BTK issued a draft document that obliges Türk Telekom to implement Virtual Unbundling of Local Access (VULA). In response to public reaction on the matter, BTK reached another resolution in June 2014, stating that the issue will be finalized later on, after the application of VULA service through new VAE tariffs (Port-Transmission) is observed.

Mobile Internet Service

A draft law related to the lowering of the special communication tax levied on Internet services on prepaid lines to 5% was approved and published in the Official Gazette dated February 19, 2014.

Türk Telekom ranks among the top information and communications companies in the region and worldwide, thanks to a robust infrastructure as well as value added services.

As Turkey's leading integrated telecoms and technology services provider, Türk Telekom Group capitalizes on its modern network infrastructure spanning the entire country to offer individual and corporate customers a wide range of services. These include fixed line, GSM, data, Internet, IPTV, BIT services and innovative convergence technologies.

Technology Expert Offering Diversified Products
Following privatization in 2005 and an IPO in 2008, Türk Telekom has successfully transitioned from a government entity, increasing its productivity, reducing operational costs, and expanding product and service variety.

Today, Türk Telekom offers a wide range of services to customers, from fixed line to broadband, GSM, data, and innovative convergence technologies. In addition to traditional telecommunications services, Türk Telekom Group also offers manageable services, data center and systems integration as well as various BIT services, all thanks to the Group's vast technical capabilities. Türk Telekom's data center and technical capabilities allow the Company to provide Cloud services for corporate clients (IaaS, PaaS, SaaS) and specialized Cloud services for retail clients. Additionally, by enhancing its TV-related initiatives, the Company offers customers an exclusive, high quality television experience based on the interactive features of IPTV and leads the sector with its TV service on four screens (TV, computer, tablet, mobile phone).

Türk Telekom owns a 100% stake in broadband provider TTNET; the convergence technologies company Argela; IT solutions provider Innova; online education company Sebit; call center company AssisTT; wholesale data and capacity service provider Turk Telekom International and its subsidiaries; and a 90% stake in Avea, one of Turkey's three mobile operators. As of end-2014, Türk Telekom Group had 13.2 million fixed line, 7.6 million broadband and 16.3 million mobile subscribers.

16.3 MILLION MOBILE SUBSCRIBERS

As of end-2014, Türk Telekom Group had 13.2 million fixed line, 7.6 million broadband and 16.3 million mobile subscribers.

Future Vision and Strategic Approach
Keen on taking customers into the future through communications, Türk Telekom is committed to delivering fast, high-quality and economical services to customers, anytime and anywhere, by providing customer-focused integrated communications solutions.

Türk Telekom figures among the top information and communications companies in the region and worldwide, thanks to a robust infrastructure, value added services that diversify and multiply year after year, the capability of introducing the latest technological advances into the Company's service offerings, and international partnerships which reinforce its regional clout.

The Company not only adds value to traditional telecommunications services, but also maintains a competitive edge in new generation communications,

in order to continue to lead and become the top communication and entertainment provider in the region. By doing so, Türk Telekom also plans to contribute to Turkey's digital transformation. Powered by the high level of synergy within the Group, Türk Telekom designs bundled offerings that combine fixed line, fixed broadbandTV, GSM and mobile internet. As a result, the Company can meet all the needs of individual and corporate clients through attractive product bundles and end-to-end solutions in order to become a service provider presenting a comprehensive range of communication services.

Embracing this goal, Türk Telekom strives to ensure efficient communications provision at attractive price points while mindful of the personal, social and professional needs of individual and corporate clients, enabling them to access data and content via all manner of devices.

Türk Telekom's Strategic Priorities

Türk Telekom has adopted the following strategic priorities to ensure sustainable growth based on a customer-oriented and integrated organization:

- Taking customer experience to the highest level by creating a comprehensive and holistic segmentation model which encompasses all telecommunications services, in order to become Turkey's leading telecoms group delivering an excellent service experience across all customer processes;
- Becoming the most preferred operator of individual, residential customers for high-quality integrated communications, digital and entertainment services;
- Becoming the leading business solutions partner of corporate customers in Turkey with top-quality, customized ICT solutions to meet every need from the most basic to the most advanced;
- Enhancing our position in the consumer and corporate customer segments by growing in new markets such as TV, BIT and digital, in addition to our conventional telecoms services;
- Creating strategic partnerships and collaborations and monitoring acquisition opportunities in the international arena to offer our products and services to overseas markets;
- Capitalizing on synergy within the Group to boost operational efficiency and to provide maximum value to shareholders, and integrating Turkey's information and communication infrastructure with the most advanced technologies through prudent investments;
- Becoming one of Turkey's most preferred employers by investing in human resources to reach operational excellence.

In 2014, Türk Telekom continued to offer its services in accordance with customer needs while entered into partnerships with numerous leading brands.

TÜRK TELEKOM CONSUMER SERVICES

In 2014, in line with their customer-centered approach, Türk Telekom Group companies took steps towards delivering clients a "One Stop Shop" experience where customers can receive all products and services from a single hub. Türk Telekom, TTNET and Avea's consumer sales, consumer marketing and consumer customer relations functions merged under the Consumer Business Unit in the scope of integration. During the integration process, current individual legal entities of Türk Telekom, TTNET and Avea were preserved.

As of July 2014, the fixed fees and usage fees of individual consumer tariff plans were increased 8% gross, which amounted to an effective average rise of 4%. Subscribers with contracts were unaffected by price hike.

Consumer Online Service Center

The Consumer Online Service Center's Android application was launched in January. Meanwhile, the Online Service iOS app was deemed worthy of the Silver Prize at the prestigious international "Horizon Interactive Awards," an event highly regarded among media producers. The launch of the system where subscribers can view their bills by simply entering their Turkish Republic identification number had a very positive effect on the Company's collection performance.

KEY CONSUMER SERVICES AND OFFERINGS IN 2014

Tekno Kumbara

Türk Telekom's new loyalty program, complete with exclusive advantages for individual consumers, "TeknoKumbara (Techno Piggybank)" was launched on June 18, 2014. With this program, home phone subscribers will accumulate TeknoPara points for every day they remain a Türk Telekom subscriber; then, subscribers can use the TeknoPara to obtain free Türk Telekom, TTNET and Avea products, gift tokens, experiences, devices and special offers from a vast gift catalogue, and enjoy exclusive discounts from other selected brands.

E4 SMART HOME PHONE

The E4 Smart Home Phone offered to customers comes with apps that make life easier.

Third Party Campaigns

Türk Telekom launched promotional campaigns in the areas of health and safety, including the Complimentary Home Insurance campaign, thus making life easier for over 200,000 home phone subscribers. In 2015 customers will also be able to reap the benefits associated with home phone ownership.

Brand Partnerships

In 2014, Türk Telekom entered into partnerships with numerous leading brands. These partnership agreements were designed to boost customer loyalty and satisfaction, and contribute to the family budgets of home phone subscribers with telephones by different brands. The Company's home phone subscribers were offered exclusive benefits from TEB, Vakıfbank, Kiğılı, Adil Işık, Limango, Mizu, Çiçeksepeti, Ulusoy, Varan, Ebebek, Home Sweet Home, Vestel, among others.

A Single Number for Multiple Phones

With this new service launched in November 2014, subscribers can now log in via Türk Telekom Consumer Online Service Center and redirect their phones to at most three mobile or work/home phone numbers in parallel or serial fashion. In the parallel redirection option, the target numbers are dialed simultaneously, while in the serial redirection option, these numbers are dialed in a list designated by the subscriber.

Instant Tariff Plan Change Activation

Having rolled out in September 2014, instant tariff change activation enables subscriber tariff changes to be activated instantaneously, rather than in the next billing period. The newly launched system allows the Company to calculate subscriber minutes and fees starting from the date customers modify their tariff plan. The purpose of this new functionality is to ensure that complaints and subscription cancellations arising from the surprise that subscribers can get upon seeing their bill at the end of the period are kept to a minimum. Additionally, call center, office and dealership employees no longer have difficulty to explain the exact time a tariff change will take effect.

Bill Payments with Mobilexpress

As a result of the partnership between Mobilexpress and Türk Telekom, subscribers can now swiftly and securely pay their bills via Mobilexpress payment pages, the Türk Telekom web site and the Online Service Center. By entering their credit card details into the Mobilexpress system just once, subscribers can make their payments in a fast and secure fashion.

Moving Support Program

Türk Telekom's Practical Move Program offers subscribers a full range of support and organization services they might need before and after their domestic move. Under the program, a third party firm provides domestic moving services as well as post-move support (e.g. Minifix, subscription transfer, professional residential support, car rental and warehouse services). Türk Telekom subscribers can benefit from one or more of these services, as needed. Following a successful pilot roll out in Istanbul at the end of May, the move service was extended. In late December, the service launched in Bursa; launches are planned in Ankara, Antalya and İzmir in 2015.

3,000 FREE CALL MINUTES

The new tariffs which are 500 and 1000 calling minutes per month and 3,000 free call minutes on weekends launched.

Wirofon

The Company's Wirofon application allows customers to receive the same rates as their home phone tariff wherever they are in the world by installing the app on their mobile phones or computers. With updates made in 2014, the application now boasts added features such as easy subscription, instant messaging and video chat.

E4 Applications

The E4 Smart Home Phone offered to customers comes with apps that make life easier. Its directory helps customers find the nearest pharmacy, bottled gas or water sellers, and similar service providers to meet their daily needs, according to their location, all with a single click. Meanwhile, the Ramadan app helps subscribers keep track of exact iftar and suhoor times and learn about iftar menus.

Tariff Plans for All Directions

The tariff packages dubbed "Eko" and "Maksi Paket" allow Türk Telekom's new subscribers to make calls in all directions. Offering 500 and 1000 calling minutes per month, these new tariffs enable customers to dial local, national, domestic GSM and international numbers without any hour limitation. Subscribers can also enjoy discounts in return for a 12- or 24-month subscription commitment.

Free on Weekends Campaign

Offering the full benefits of being a Türk Telekom subscriber, the Company promoted the "Free on Weekends" campaign to all customers during Ramadan. The special promotion offered all subscribers, without any commitment or need to apply on their part, 3,000 free call minutes to local, national and GSM lines per month. The promotional campaign lasted for three months, ending on September 29, 2014.

The sales of E4 went on throughout the year, and device promotions were conducted in six different categories. Campaign portfolio was enriched with launched synergy campaigns during the year.

Joint Campaigns with Group Companies
Türk Telekom's promotional campaign portfolio was enriched with cross-Group campaigns to enhance customer satisfaction. To this end, Türk Telekom offers Avea subscribers 250 call minutes in all directions, 500 minutes to other Avea subscribers or a 4GB Internet package from TTNET, for a period of 12 months,

Ev Avantaj (Home Advantage) Tariffs
- To help enhance subscriber satisfaction, Türk Telekom implemented loyalty campaigns for subscribers of more than 15 years and initiated automatically assignedminute campaigns, which ensured that subscribers are not surprised by the bill after their contractual commitment.
- Subscribers who place an automatic payment order were offered 100 complimentary minutes in all directions and subscribers who updated their contact information were likewise offered 100 minutes to local and national lines in different promotional campaigns.
- The "Support to Soma" campaign was launched to assist subscribers and their families affected by the Soma mining disaster.
- In order to boost subscriber loyalty, two 24-month subscription offers were rolled out: "Stay with Türk Telekom for Two Years and Pay Only Four Months of Fixed Fee" and "E4 Smart Phone for TL 5 a Month."
- The promotional campaign portfolio was further enriched with voice offers. The campaigns rolled out give customers 300 minutes in all directions in return for a 12-month contractual commitment, 3,000 minutes in return for a 24-month contract and 10% discount over a 12-month period. To help subscribers switch from traditional to home advantage tariffs, the "Home Advantage 100 with 50% Discount," "Home Advantage 100 with 40%" and "Switch to Home Advantage and Speak as Much as You Want" promotions were offered to customers.

Mobile Device Campaigns
The sales of E4 went on throughout the year, and device promotions were conducted in six different categories. In addition to the nine campaigns in place since 2013, 21 new offerings were rolled out in 2014, bringing the total active promotions to 30. Emphasis was placed on the smart phone portfolio starting in 2014, while the range of tablet promotions was expanded to include devices appealing to all customer segments.

TÜRK TELEKOM CORPORATE CUSTOMER SERVICES

Türk Telekom, TTNET and Avea's corporate sales, corporate marketing and corporate customer relations functions merged under the Corporate Business Unit to better leverage Türk Telekom Group companies' synergy and to deliver customers comprehensive solutions meeting all their communications needs. After the restructuring, Corporate Customer Services transitioned to a new organizational structure that provides more efficient solutions for the needs of the market and corporate customers.

According to Turkish Statistical Institute data, there are over 3 million business entities in the corporate segment in Turkey. The communications needs of these business enterprises increase constantly, in parallel with Turkish economic development and the dynamics of a globalizing world. Complex and rapidly evolving products and services are required to satisfy those needs. Boasting a robust infrastructure and new products designed to meet corporate customer needs, the Corporate Customer Department also capitalizes on Group synergy to enhance its solutions with packages that meet all communications needs.

The needs of corporate customers vary according to a diverse array of factors including company size, sector, location, and headcount. These variables lead to different needs that are addressed with product categories that vary in terms of voice, data access and manageable services, as well as customized services.

KEY CORPORATE SERVICES AND OPERATIONS IN 2014

Main Corporate Services, Campaigns and Packages

- **TTVPN Global:** Thanks to solution partnership agreements reached with international telecoms operators, the TTVPN Global product launched. With this product, customers in all segments can now ensure data communications between their domestic and overseas branches via a closed, secure network.
- **YöneTT İçerik:** The recently launched "YöneTT İçerik (Manage Content)" product is an economical and scalable content management solution which ensures that web sites and media broadcasts are served up to end-users with a high level of performance, back-up and security. Potential customers of this product include companies delivering live TV broadcasts, Internet radio and video recordings. Additionally, e-commerce sites, highly popular web sites, companies who upgrade their software and game makers also number among prospective clientele.
- **YöneTTWiFi:** Another service launched in 2014 is "YöneTT Wifi (Manage Wifi)," an end-to-end service that provides the wireless infrastructure required by clients, employees or visitors of corporate enterprises with turnkey delivery, including accessibility, cables and devices, as well as network and system management.
- **Data Products Projects:** The Company made significant progress in the public and strategic & large enterprises segment with new data projects acquired in 2014. Long-term agreements were signed, especially for the TTVPN product, and revenue continuity was secured.

E-ARCHIVE

Upon receiving a license in 2014, Türk Telekom became the first Turkish operator authorized to set up an e-archive.

- **Device Campaigns:** The diversity and volume of promotional offers increased significantly through 2014 in the small-scale craftsmen/SME segment. The Company offered customers tablet computers, notebooks, DECT phones, TTE4s, printers and Centrex, in order to retain current customers and acquire new ones. Device promotional campaigns designed to meet the needs of strategic and public sector customers were launched, resulting in significant revenue retention and increases. As part of the campaign "Win with TT," customers were provided complimentary mobile devices in return for contractual commitments. Due to its success, "Win with TT" has become a key tool of loyalty and retention for Türk Telekom.
- **Business Partnership Campaigns:** Promotional campaigns were developed to expand the committed business customer base, one of the Company's key strategic objectives; to this end, different joint campaigns were launched through various business partnerships. Selected examples of these promotions include the Office Insurance, Tepe Security, Avansas and Alibaba campaigns.
- **E-archive:** Upon receiving a license in 2014, Türk Telekom became the first Turkish operator authorized to set up an e-archive.
- **Brand Partnerships:** In 2014, various brand partnerships were created to provide benefits to customers and boost client loyalty under the campaign name "Avantaj Bizden (Special Offers by Us)." Some of the brands partnered with included Enel, Temizlik Yolda, Multinet, Avis, Teknobadi, HızlıÇeviri and Goldmaster.
- **Special Tariffs for Professionals:** In the second half of 2014, micro enterprises outside the small-scale craftsmen segment, such as those operated by lawyers, doctors, pharmacists and financial advisors, were offered new tariff packages. "Special Tariffs for Professionals" increased the diversity of tariffs and promotions geared toward customer habits, needs and expectations in order to acquire new customers or increase the satisfaction of existing clients.

In the second half of 2014, micro enterprises outside the small-scale craftsmen segment, such as those operated by lawyers, doctors, pharmacists and financial advisors, were offered new tariff packages.

MAJOR PROJECTS FOR THE PUBLIC

In the public and strategic & large enterprises segment, customers were engaged upon the launch of new projects in 2014.

- **444:** Upon the emergence of other products competing with our services starting with 444, the Company responded with various promotions such as offering large corporations complimentary call minutes on the basis of incoming traffic to 444 prefix numbers, or waived connection fees for all lines linked to 444 numbers. In return for contractual commitments for 444 prefix numbers, the Company launched the campaign "Win When 444 is Dialed," which offers complimentary call minutes for incoming calls.
- **Voice Products Projects:** In the public and strategic & large enterprises segment, customers were engaged in contractual commitments upon the launch of new projects in 2014 and revenue retention was ensured for 2015.

Main Synergy Initiatives

Türk Telekom expanded the range of cross-Group company product/service offerings. For example, the Company offered SME customers TTNET and Avea services alongside Türk Telekom's voice packages. As a result, Türk Telekom's small-scale craftsmen and SME clients were provided with diversified offerings to meet their mobile voice, mobile Internet, M2M and fixed Internet needs.

SYNERGY PROJECTS

With synergy projects, Türk Telekom offered SME customers TTNET and Avea services alongside Türk Telekom's voice packages.

Key product/service offerings included:

- The "20 Months of 50% TTNET for My Business" promotion targeted the acquisition of new customers by both Türk Telekom and TTNET;
- The "24 Months of Complimentary 3G" campaign launched to meet the mobile Internet needs of corporate Türk Telekom customers;
- The 50%-discounted "Corporate Menu" and "Prestige Menu" voice packages were offered to Türk Telekom's SME clients, jointly with Avea;
- The "Car Tracking" campaign was promoted jointly with Avea;
- Various device offerings coupled with complimentary Avea 3G services were presented to customers.

Customer-Centered Approach

- Türk Telekom conducted customer profile and sub-segmentation work, by sector, for the public and strategic & large enterprises segments. As a result, the Company extended more successful offers to customers and increased the percentage of contractually committed clients. Smart offers have also led to a rise in the share of Türk Telekom in the overall telecoms spending of these clients.
- In the SME segment, as part of the "Getting to Know Our Clients Better" initiative, Türk Telekom upgraded customer management systems and

improved service quality in order to extend product and service offers that meet customer needs through the right channels mindful of habits, demographic data, channel preferences and similar criteria. Under the initiative, the Company identified current customer tendencies, analyzed their needs, prioritized offers according to customer habits; as a result, more customers started to benefit from corporate promotional campaigns, and the groundwork was laid for sector-specific actions.
- Türk Telekom upgraded the corporate web site to better promote corporate services among the clientele and to assist clients in more easily locating the solutions that best suit their needs. At the same time, get-togethers with large scale or SME customers allowed the Company to promote its services face-to-face.
- The "Instant Callback Service" project initiated sales efforts directed at SME customers via SMS and the Internet.

Sales Activities
- After the sales teams had been divided into four segments to become more responsive to the market 2013, they were enhanced with sales channel organizational structures more in tune with customer needs and expectations in 2014. Türk Telekom completed the necessary sales structuring to access clients in all segments across Turkey; in addition, the Company held summits and meetings to introduce clients new generation products and the latest technologies.
- In the strategic & large enterprise segment, Türk Telekom increased the number of clients enjoying specialized services, allowing the Company to deliver value-focused services to a larger number of corporate enterprises. Türk Telekom effectively positioned its vast service range to meet the new generation integrated needs of strategic companies. Corporate sales teams located in large cities, whereare the driving forces of the Turkish economy, conducted successful initiatives throughout the year.
- Public institutions and agencies served by the Corporate Customer Department with an extensive and reliable infrastructure were welcomed at the BuluTT IT Summit, where state-of-the-art solutions, BuluTT IT Solutions and recent technology-related advancements from across the world were discussed in detail. In order to move closer toward becoming the main communications solutions partner of public institutions, the Company published and distributed the Public Sector Products and Services Catalogue.
- Türk Telekom conducted sales activities targeting SME segment clients via direct and alternative channels. A channel structure differentiated by customer expectation and need responded to SME customer requirements via the call center, digital channels, and field teams. SMEs were offered value-generating products and services through this effective organizational structure. In order to provide better services and an improved customer experience, all sales teams underwent a rigorous training program and channel-specific improvements.

Customer Relations Activities in 2014
- In 92% of Türk Telekom offices located across Turkey, the Company created Corporate Customer Areas with specialized customer representatives to provide exclusive services to corporate clients.
- Türk Telekom recorded an increase in the number of clients who use the Corporate Call Center to service their various demands, transactions and complaints in line with authorization levels; the Company also appointed special customer representatives. With these developments, the customer satisfaction rate improved.
- Türk Telekom upgraded the Call Center's interface for the first-level solutions ofTTVPN and NN products and it became possible to carry out the initial examination and diagnosis in office.
- The Company posted an increase in the number of Corporate Online Service Center clients.
- Türk Telekom carried out efforts to swiftly resolve complaints through centralized and interactive communications. As a result, customer complaints were resolved much more quickly.
- In conjunction with Innova, the Company improved and launched the customer-sales-opportunity and reporting platform "KMZP – SME Sales Portal," which is used by the SME Sales Department, corporate dealerships, field sales teams and the call center.
- System process improvements and step automations that were completed during the year enabled the Company to shorten the steps in the TTVPN xDSL circuits.
- Corporate customers started to receive a single bill for the voice service they receive.

While growing in both the postpaid and shrinking prepaid segments, Avea further reinforced its robust subscriber base by acquiring 1.3 million postpaid subscribers out of 1.8 million total net acquisitions.

AVEA

avea
Hayat değişir Avea'yla

16.3 million subscribers

TL **22.0** arpu

TL **4,3** billion sales revenue

TL **696** million EBITDA

avea.com.tr

Providing innovative and high quality services to customers with an advanced infrastructure and significant technology investments, Avea continued its strong growth drive in 2014. Boasting 16.3million subscribers as of year's end, Avea has roaming agreements with 685 operators in 205 countries around the globe.

Turkey's innovative and pioneering mobile operator with the highest rate of smart phone subscriptions, Avea has invested heavily in human resources, infrastructure and stores, as well as in the Avea brand name in recent years, creating a simple, affordable and diversified set of advantages that address differentiated functions. The company has established an optimistic and exciting brand identity that challenges the competition and removes barriers to success.

Life-Enhancing Changes Come from Avea!

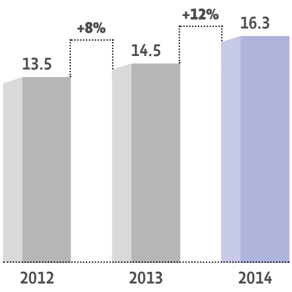
In line with the company's restructuring, Avea renewed its logo in 2013. Further, the Avea emblem and slogan were refreshed in 2014 to uphold the company's brand promise of hope and optimism. Keen on strengthening the emotional bond with customers, and firmly believing that changes in life bring about optimism, Avea strives to inspire hope in all its subscribers. In light of this vision, Avea focuses on fully projecting its innovative, positive and energetic brand identity. The slogan "Avea subscribers know. Life-enhancing changes come from Avea!"indicates how the brand touches and enhances all aspects of customers' lives.

PERFORMANCE INDICATORS IN 2014

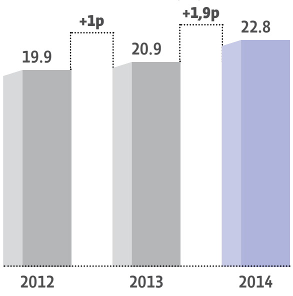
TOTAL BASE DEVELOPMENT

Subscriber base and market share growth
As of year-end 2014, Avea's subscriber base expanded 12% over the prior year, climbing to 16.3 million. In parallel, Avea posted the largest subscriber market share increase among the mobile operators in 2014. In 2014, the company had acquired net 1.8 million subscribers, the biggest net gain in the last 6 years.

Total Base Development (million)



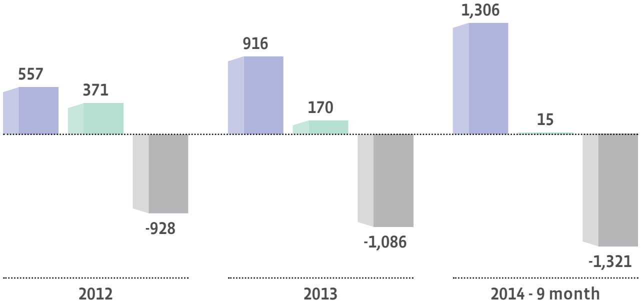
Avea's Market Share in Total Subscribers (%)



MOBILE NUMBER PORTABILITY

Leader in MNP
Avea's leadership in mobile number portability continued to support growth in the company's customer base. For the fourth consecutive year, Avea ended 2014 as the leader in mobile number portability. In the first 9 months of 2014, Avea recorded a 45% annual increase, which corresponded to net subscriber gain of 1.3 million.

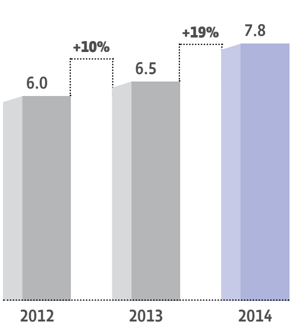
Mobile Number Portability Net Adds (Thousand)



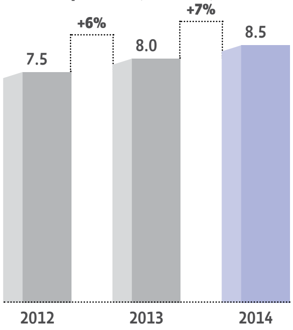
SUBSCRIBER BASE DEVELOPMENT

Operator with strongest subscriber mix
While growing in both the prepaid and postpaid segments, Avea has the strongest subscriber base in the market with the highest postpaid subscriber ratio. As of year-end, the company has grew its postpaid subscribers by 19%, climbing to 7.8 million and grew its prepaid subscribers by 7%, climbing to 8.5 million.

Postpaid Subscriber Base Development (million)



Prepaid Subscriber Base Development (million)

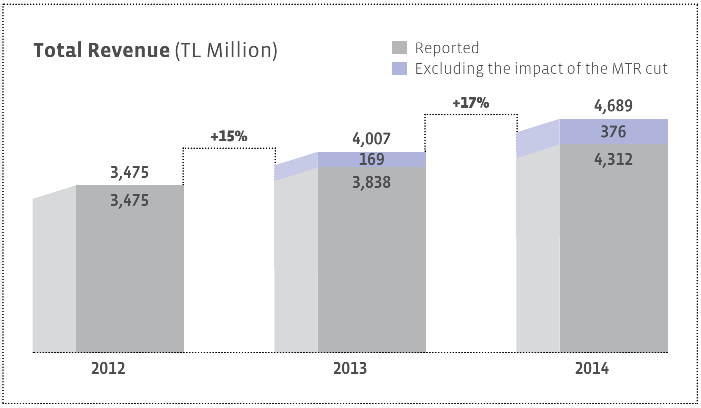


TÜRK TELEKOM GROUP COMPANIES (AVEA)

Avea is not only maintaining its strong revenue growth, but also increasing its profitability.

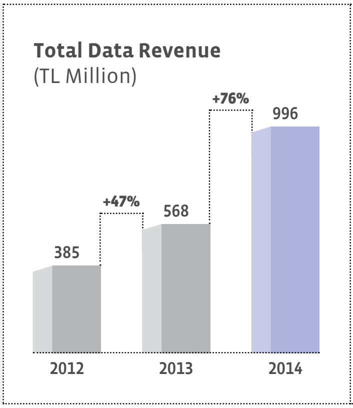
AVEA REVENUE GROWTH

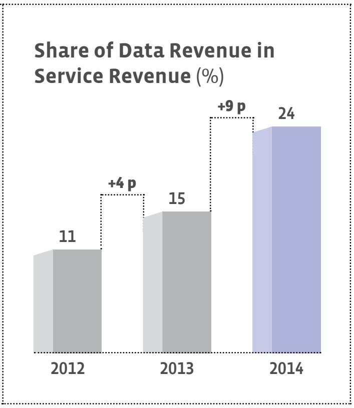
Strong revenue growth
In 2014, Avea maintained strong revenue growth. The company posted annual revenue growth of 12% as of year-end; excluding the impact of the MTR cut, growth would be 17%.



SHARE OF DATA IN AVEA SERVICE REVENUES

Rising share of mobile data
The expanding subscriber base, and the 76% increase in mobile data revenues driven by the highest smart phone penetration in the market together have fueled Avea's overall revenue growth. Mobile data's share in total service revenue has risen 24% with 9 percentage points increase year on year.



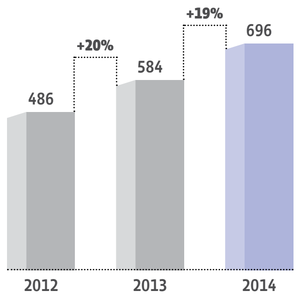


EBITDA DEVELOPMENT

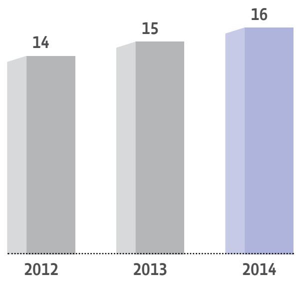
Strong EBITDA growth

Avea's double-digit revenue growth has been accompanied by a double-digit rise in EBITDA, demonstrating the effectiveness of the company's profitable and sustainable revenue growth strategy. As of year's end, EBITDA totaled TL 696 million, up 19%, while the company's EBITDA margin increased to 16% by end-2014, up from 15% in 2013.

EBITDA Growth (TL Million)



EBITDA Margin (%)

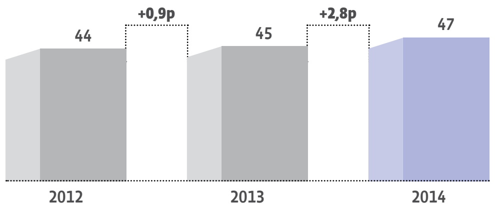


Postpaid Market

With a solid range of offerings and a constantly improving customer experience in the postpaid segment, Avea boosted its growth momentum in 2014, with the postpaid subscriber base rising to 7.8 million, up 19%.

- In a sector first, Avea offered customers the "Ailece Tarife (Family Tariff)," which gives subscribers the option of using a single tariff together with up to four relatives of their choice. The company once again sharpened its competitive edge with this innovative tariff offer, where a single subscriber pays a fixed fee.
- To introduce the company's high service quality to prospective customers, Avea launched the "Denemesi Bedava (Free to Try)" campaign, which gives customers the opportunity to make free calls, send free SMS messages and go online for three months, without having to enter into a contractual agreement.
- Having launched in 2012, the "SEÇ Portfolio" was upgraded in 2013 with the renewal of tariffs such as "Sade (Simple)," "Ekonomik (Economic)" and "Çeşitli (Diverse)," and adapted to all package combinations. Presenting customers the choice of whichever tariff best suited their needs from among 20 options, the "SEÇ Portfolio" was further enhanced in 2014 with six additional tariffs providing bundles of voice, SMS and Internet in order to meet changing customer needs.
- The company rolled out the sector's most comprehensive "Esnaf (Shopkeeper) Tariffs," featuring eight tariff options and six additional packages specially designed to meet the needs of small-scale craftsmen and retailers, as well as self-employed subscribers. Shopkeepers and craftsmen who brought their relatives to Avea were given additional discounts and the chance to make unlimited calls to one another.
- In addition to Shopkeeper Postpaid Tariffs, the Avea rolled out "Shopkeeper Controlled Tariffs," which stop once the predefined limit is reached, to appeal to retailers who prefer externally imposed restraint.
- Also for shop owners and craftsmen, Avea launched the "Süper Esnaf," "Esnaf 1,000" and "Esnaf 2,000" tariffs, which meet all of their communication needs while providing complimentary business insurance.

Postpaid Base/Total Base (%)



Prepaid Market

Avea continued to expand in the shrinking prepaid market, growing its customer base by 7% to 8.5 million as of year-end 2014.

The "Süper Fırsat (Superb Advantage)" offering in 2014 presented youth the opportunity to meet all their GSM needs with a single package, prepaid billing and attractive pricing. Avea has played a pioneering role in the market with this offer that provides young people with a rich yet economical content package.

- Having already introduced subscribers to the convenience of "Hepsi Bir Arada (All in One)" packages in previous years, Avea responded to the demands of customers with high call minute needs

Focusing on solutions and advantages customized for different professions and lifestyles in 2014, Avea offered numerous options to customers.

CHOICE OF 3 MILLION YOUNG PEOPLE

Woops became the choice of over 3 million young people in one year's time by launching 55 promotions in 52 weeks.

with the "Süper Üçlü Büyük Paket (Super Big Three Package)" in 2014.

- As a game changer in the market with offerings that accurately address customer needs, Avea launched in mid-year the "İkili 500" and "İkili 1,000" packages, thus maintaining market leadership with the most attractive prepaid offers.

Special packages for different professions
Focusing on solutions and advantages customized for different professions and lifestyles in 2014, Avea offered numerous options to customers:

- "Profesyonel Tarifeler (Professional Tariff Plans)," designed to address the needs of white-collar subscribers by providing high quota mobile Internet access packages that stop at their pre-defined limits, were recently coupled with smart mobile device offerings. The Internet portfolio was also expanded with the launch of mobile Internet packages that can be deployed at different days and hours according to the needs of white-collar employees. Additionally, digital initiatives, brand partnerships and other promotions were implemented to touch the lives of white-collar subscribers. These activities have allowed Avea to access customers at different contact points and reinforce brand appreciation.
- As part of the company's focus on public institutions, Avea renewed its agreements to provide special offers to the Ministry of Justice, Ministry of Labor and Social Security, and Ministry of Health. Avea has thus addressed the needs of public employees through new agreements and exclusive smart mobile device offerings for the public sector. The company has started to combine special value added services for public employees with tariff plans.
- Avea also launched new GSM offerings differentiated by the local needs of different customer groups in 2014. Partnerships with local brands helped the company further diversify its product and service range.

Woops exceeds 3 million subscribers in its first year!
Launched by Avea in November 2013 at Turkey's biggest ever Twitter gathering, the youth brand Woops became the choice of over 3 million young peoplein one year's time, more than living up to its slogan "A New Campaign Every Week" by launching 55 such promotions in 52 weeks.

Since launch, Woops has presented youth with a wide range of packages, brand partnerships, social media campaigns handing out the most popular devices, as well as data bundles customizable according to user needs. Woops undersigned sponsorships for video games and musical performances such as League of Legends, Whitefest and Justin Timberlake, all highly popular among young people, to bolster its brand recognition and image. To celebrate the first anniversary of Woops, subscribers were given the opportunity to make calls to each other free-of-charge.

Avea Prime
Launched in December 2013, Avea Prime is committed to making a difference in the lives of private customers by offering them special moments to savor life. Operating with the slogan "Enjoy it...," Avea Prime has lived up to its abiding philosophy by always enriching the content of the program on offer.

Avea Prime continued to add color to the lives of customers by helping them feel good with its life-enhancing benefits and comforts. Complimentary parking, airport transfer services, airport lounge services across the world, special discounts on select brands and at exclusive venues, overseas services and accommodation at top hotels are just some of the privileges Avea Prime offers to private clients, anytime anywhere.

Avea, the leader in Smartphones

Avea raised its customers' Smartphone ownership rate, the main focus of the company's device campaigns, up to 52% as of year-end 2014, sustaining its leadership for 14 quarters in a row.

- In line with the mission of delivering customers the latest technologies under the most favorable conditions, Avea launched in March its third own-brand smartphone Avea inTouch 3; this was very soon followed by Avea inTouch 3 Large, in response to rising customer demand. At launch, both Avea inTouch 3 and Avea inTouch 3 Large stood out as own-brand smartphones with the largest screens at the time.
- In addition to the company's own-brand devices, Avea also offered subscribers the newest phones from the world's leading manufacturers throughout the year, coupled with special Avea advantages. The company expanded its device portfolio to better respond to the needs of all customer segments. Strategic partnerships were initiated with Nokia and LG, and the Nokia Lumia 525 and Avea L Bello, both specially designed for Avea, were presented to customers through special promotions.
- The latest additions to Avea's stable of own-brand smart devices were Avea inTouch 4 and Avea Smartband, rolled out in December. One step ahead of the competition thanks to an innovative and chic design as well as gesture control features, Avea inTouch 4 allows users to take a "selfie," view photo galleries and browse the Internet via gestures, without touching the screen.
- Avea's first wearable technology product, Avea Smartband, offers features such as instantaneous notification of number of steps walked, distance covered, sleep performance or calories burned. The device also wakes the user during light sleep periods thanks to a smart alarm feature.
- Avea also made important achievements thanks to the innovative and unrivaled features of its promotions. A first in the sector, the "Fatura Bizden (The Bill is on Us)" scheme led to significant new customer gains. In October, in yet another sector first, customers purchasing smartphones from Avea were offered tablet PCs, resulting in a significant rise in tablet sales.

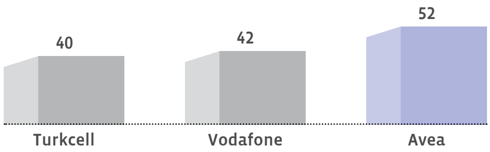
Strong growth in mobile data

Avea maintained a leading position in mobile data by capitalizing on high smartphone penetration, a rich offering portfolio and a top quality data experience.

In 2014, Avea undersigned numerous innovations on the mobile data side:

- In prime offerings, customers became able to divide their Internet quotas of up to 6 GB between their smartphones and tablet PCs.

Smartphone Penetration (%)



Avea maintained a leading position in mobile data by capitalizing on high smartphone penetration, a rich offering portfolio and a top quality data experience.

- As a result of a partnership with Opera, Avea became the first Turkish operator to present customers free-of-charge data packages with sponsorship via the browser Opera Mini.
- The promotional campaign "New to the Internet" gave customers without prior mobile Internet experience the chance to sample Avea's super-fast Internet access, free-of-charge.
- "Additional Packages" for customers who reach their Internet quota before the end of the period became very popular, especially among customers with Internet packages that stop at a predefined limit.
- Avea conducted Turkey's first live VoLTE and RCS testing before members of the media.
- In the presence of a notary public, Avea broke the all-time Internet access speed limit in Turkey by reaching 300 Mbps on a commercialized smart device.

Mobile content services that make a difference

In 2014, Avea entered into new brand partnerships and segment-specific partnerships:

- The "Wedding Package" with its specially customized content was presented to attendees of the Avea Marriage Festival.
- During the two-week long "Colorful Living Packages" promotion, Woops members enjoyed a variety of various content services including "Cinema Package," "Astrology Package," "Breaking News Package," "Cartoons Package" and "Basketball Package" free-of-charge.
- Under the promotional slogan "Thrifty Ladies Come to Avea," homemakers who purchased the custom-tailored "Hediyeli 150 (150 with Gifts)" tariff plan were offered the "Living Like a Woman Package" for free.
- The lives of farmer subscribers were enriched with special packages. During the "Farmers Prosper at Avea" promotion, they received the "Avea Agriculture News Package" free for 12 months.
- "Local News Packages" were presented to customers living in four large Turkish cities.

Avea also creates value for customers with innovative services and applications designed for specific operating systems:

- **IntelliMap:** In June 2014, Avea launched IntelliMap, a platform that observes and analyzes intensity maps according to the locations of customers' phone signals. IntelliMap is an advanced technology, innovative "Big Data" product allowing business customers to accurately assess their marketing strategies and investments, and has stood out as a data analysis tool that boosts corporate customer productivity and profitability. Thanks to IntelliMap, brands can launch campaigns for their target audiences at the right location and time so as to add value to their promotion related investments. Through various partnerships, Avea plans to enrich its Big Data platform and maintain market leadership.
- **Nokta Atışı:** Avea's micro-location based "Nokta Atışı (Spot-On)," a first in the sector, is a mobile marketing product allowing brands to conduct on-the-spot marketing communications. Brands that collaborate with Avea on Nokta Atışı can establish instant customer communications in locations such as inside or in front of their shops, thereby increasing sales and profitability. In 2015, Avea plans to enhance the features of this micro-location based marketing product to continue making a difference in the mobile marketing field.
- **Prepaid Bulk SMS:** Avea has developed "Prepaid Bulk SMS Packages" to meet customer seasonal communications requirements. By choosing one of the available packages, clients can benefit from this service by making a single payment.
- **Business Partner Academy:** At the Avea Business Partner Academy recent launch in 2014, business partners met with Avea managers in a training program that directly impacts business results. Enriched with case studies and detailed market data from different sectors, this training program provides information to business partners on such issues as segmentation, new product development, marketing, project management, brands and benchmarking. The goal of Avea's Business Partner Academy is to channel current and new business partner performance and investment in order to expand the Avea ecosystem.

300 MBPS SPEED

In the presence of a notary, Avea beat Internet access speed record in Turkey by reaching 300 Mbps on a commercial smart device.

Mobile partnerships

- Having collaborated with leading brands since 2009, Avea continued its nearly 20 sports partnership schemes, which include Fenercell, GSMobile, Trabzoncell and Bursasporcell, increasing the company's support to Turkish sports and football. Recently, Avea's collaboration with Fenerbahçe, ongoing since 2009, was extended for an additional five-year period.
- Football fans using the GSM line associated with their favorite teams continued to receive surprise gifts and promotions to make them feel special in 2014. Customers enjoyed numerous such privileges including priority in match ticket purchases, complimentary tickets, team shirts with the autographs of their favorite players, opportunities to get to know players in autograph sessions, exclusive access to breaking news about football teams, as well as the chance to support teams in their away games. Football fan customers also received messages written by players with birthday, holiday and other special day greetings.
- In 2014, Avea launched competitive offerings related to football fan GSM lines and presented fans that frequently use mobile Internet access with "Rakipsiz Tarifeler (Unmatched Tariff Plans)."

Avea maintained its growth with synergy campaigns and strategic business partnerships in 2014.

Synergy Campaigns with Türk Telekom Group

- In 2014, the groundbreaking "Triple Advantage" campaign was launched through a cross-collaboration between Avea, Türk Telekom and TTNET. As part of the promotion, Türk Telekom and TTNET subscribers were offered a 40% discount on Avea subscriptions.
- To increase customer loyalty towards Türk Telekom Group, the campaign "Free Access to Avea through Türk Telekom" allowed Türk Telekom fixed line subscribers to receive 500 complimentary call minutes to Avea lines for a 12-month period.
- Under the "Avea Subscribers Talk via Türk Telekom" promotion, participating customers were granted 250 complimentary call minutes from Avea to all directions.

BUSINESS PARTNERSHIPS AND BUSINESS DEVELOPMENT

Avea's Business Partnerships and Business Development Group conducted business partnership related activities through BİMcell and PTTcell in Turkey and overseas partnership efforts through the Türk Telekom Mobile brand, in addition to mobile finance operations.

- BİMcell launched in March 2012 as part of a partnership scheme between the supermarket chain BİM Birleşik Mağazalar A.Ş. and Avea. Much appreciated among customers for simple tariffs and packages with attractive pricing, BİMcell had over 1 million subscribers by its second anniversary, April 9, 2014.
- On January 29, 2013, PTTcell launched as a PTT-Avea collaboration; the service is marketed across Turkey, at 1,000 PTT offices and 300 branches in the country's 81 provinces.
- Our overseas brand Türk Telekom Mobile provides Turkish expats living abroad with convenient solutions for their communications with Turkey and within the host country, thus increasing Türk Telekom Group revenues. In 2014, Türk Telekom Mobile launched new postpaid tariffs, device promotions, special events and customer services in Belgium. In Germany, the company decided to end its partnership with Telefonica; the Group plans to pursue new partners to serve the German market. In regions such as Europe and America, where large Turkish populations reside, work is ongoing for similar partnership schemes.
- Avea's Mobile Finance Services subsidiary Fleksus strives to create a specialized human resources and know-how pool for payment services while supporting Türk Telekom Group's payment service operations and obtaining operating licenses from the Banking Regulation and Supervision Agency

2,000 CONTRACTED MERCHANTS

Millions of Avea subscribers use Avea Mobil Payment Services at over 2,000 contracted merchants.

(BRSA). Upon completion of compliance work in first quarter 2015, Fleksus will become one of the very first companies to obtain the "Electronic Money Enterprise" license.

- In 2014, Avea Mobil Payment continued to achieve steady growth through collaborations with Setcard, HGS and online app stores, as well as joint campaigns with leading companies such as KFC and Digiturk. Today, millions of Avea subscribers use Avea Mobil Payment Services at over 2,000 contracted merchants.
- Designed for individual customers with high security requirements, aPARA Prepaid Card Products enable users to meet their electronic payment needs, which are constantly rising in step with the proliferation of e-commerce. Using aPARA cards, customers can make payments on all POS devices. Additionally, aPARA cards are matched with telephone numbers, enabling Avea subscribers to top-up their lines via interactive voice response (IVR) services, purchase HGS points, and make money transfers to other individuals.

Non-GSM Benefits

Since 2010, Avea has collaborated with a variety brands to provide a huge range of benefits to customers.

In 2014, under the initiative "Avea Her Yerde Kazandırır (Avea Subscribers Win Everywhere)," the company had 316 brand collaborations to benefit customers, with 117 leading brands in 23 sectors.

During the year, Avea focused on offers and promotions customized according to customer characteristics. Prime customers were extended benefits ranging from car rentals at favorable rates, car care services, discounted hotel accommodations and special shopping offers. Professionals benefited from a joint campaign with Caffe Nero, homemakers received special discounts on B-fit gym memberships, and pensioners has the opportunity to stay at select hotels with attractive discounts to fully enjoy their retirement.

165,000 AUDIENCES

As part of Avea's music sponsorship strategy, 165,000 people attended 57 Avea-sponsored concerts.

AVEA'S 2014 SPONSORSHIPS

In 2014, Avea's sponsorship programs encompassed areas such as image, corporate business units, music and venues.

Music

As part of Avea's music sponsorship strategy, prominent musicians from Turkey and around the globe took center stage, introducing the best examples of world music to Turkish concertgoers. Some 165,000 people attended 57 Avea-sponsored concerts.

Venue Sponsorships

Avea entered into sponsorship agreements with the following venues to help bring enjoyment to the lives of customers:

- Beceren Hotel and Café
- Dorukkaya and Kaya Palazzo Hotels
- Palandöken Xanadu Hotel
- Kartalkaya Drop Lounge
- Suada
- Su Entertainment Group Restaurants
- The House Café

Image

- Capital Uludağ Leaders Summit
- Web 3.0
- IPZ '13
- Marketing Summit
- Entrepreneurship Club (two meetings)
- THY Turkish Open Golf
- THY Turkish Open Pro Am
- İETT Entrepreneur Bus

Corporate Business Units

- Digital Health Summit
- ITP
- World Food Day
- MÜSİAD

Avea Customer Services operates in 10 cities and 14 locations with a team that numbers more than 3,000, 66% of whom are located in Anatolian cities outside Istanbul, Ankara and İzmir.

450 MILLION COMMUNICATION

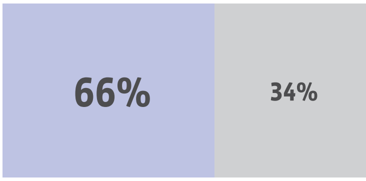
In 2014, Avea communicated some 450 million times with customers across all channels.

92% SELF SERVICE PREFERENCE

In 2014, 92% of customers accessing Avea Customer Services preferred to use Self Service channels.

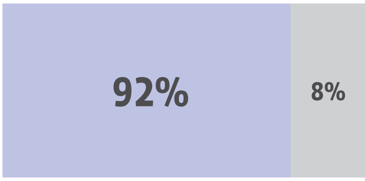
CUSTOMER SERVICE INVESTMENTS

Avea Customer Services operates in 10 provinces and 14 locations with a team that numbers more than 3,000, 66% of whom are located in Anatolian cities outside Istanbul, Ankara and İzmir. The Department also provides services in alternative channels such as the web, smart mobile devices, e-mail, SMS, ussd, chat, voice response system, and social media



Other Anatolian cities
Istanbul, Ankara, İzmir

- In 2014, Avea communicated some 450 million times with customers across all channels, thus constantly increasing customer satisfaction.
- Since 2012, Avea has achieved all the targets in the Service Quality KPIs of the Information and Communications Technologies Authority Service Quality Regulations. In 2014, too, Avea reached 100% compliance with the SQ KPIs.
- In 2014, Avea Customer Services prioritized a complete overhaul of the Computer Telephony Integration (CTI) system, and then implemented the Call Registry and Workforce Optimization project. Additionally, Speech Analytics technology was integrated with the customer service processes during the year. This technology transcribes all dialogue between customer representatives and customers, allowing Avea to understand why customers make a call, what they say during the call, and whether they are pleased with the service provided by the Call Center.
- In the last two years, the number of transactions managed through Self Service channels rose three-fold. In 2014, 92% of customers accessing Avea Customer Services preferred to use Self Service channels.



Self Servis
Agent

- The Customer Experience Index was created to measure the effect of these efforts and quality improvements on Avea customers. According to the measurements carried out, the Avea Customer Services Customer Experience Index rose by 10% in 2014.
- Awarded numerous times in recognition of its advanced technology, effective business processes and skilled human capital, Avea Customer Services received a number of prizes in the competitions it participated in during 2014. The Department was honored with "Best Customer Services" and "Best Customer Services Manager" prizes at the internationally acclaimed Stevie Awards.

'Firsts' and 'Mosts' in corporate collaboration

- Avea maintained steady growth and ambition in the M2M market, making important contributions to customers. The company focused on increasing the number of M2M subscribers, expanding the business partner ecosystem, offering new products, services and campaigns to customers to create added value and placing greater emphasis on sector verticals.
- In line with the strategy adopted in 2014, Avea added new products to its portfolio, became more consistent and ambitious in the field of M2M, created more added-value for customers and significantly contributed to M2M market development.
- Avea strengthened the company's current Vehicle Monitoring solution with the 36-month vehicle monitoring campaign and offered clients different payment options. Avea also stood out with its Secure Vehicle Monitoring option, which places special emphasis on the security of drivers and vehicles.
- Expanding the product portfolio with new offerings such as Secure Person Monitoring, Onboard Cameras and DVR Systems that focus on the requirements of different sector verticals, Avea also geared up its activities on the energy verticals side. By implementing large-scale projects, the company increased by 100% the number of M2M lines it provides to the smart meters in the market, thereby improving Avea's position in the energy sector.
- Expanding the company's ecosystem with new business partners such as Seyir Mobil, Fideltus and Arvento, Avea has increased the number of its alternative providers and integrators in the areas of product-service and solution-project.
- In 2014, Avea presented the new generation M2M Platform, M2M Control Center, to customers and business partners, providing them with the opportunity to conduct efficient control and management over M2M lines.

CORPORATE SALES

In 2014, Avea added some of Turkey's leading companies to its customer portfolio, and expanded the subscriber base through tariff plans and campaigns geared to the needs of corporate employees and their relatives.

- The advanced GSM redirection technology Dect2 allows corporate customers to forward their fixed line calls to mobile lines.
- The Energy Monitoring System was rolled out to instantly notify energy companies of power cuts via base stations, and to enable providers to monitor the locations of power cuts through a system-generated map.
- As part of the "Sesli Adımlar (Voice Steps)" project, visually impaired individuals were presented with voice direction services. Avea's innovative service, which deploys Beacon technology, is a first in Turkey and allows disabled citizens to easily reach their target destination in a shopping mall.
- At MÜSİAD's 15th International Fair, Avea rolled out the Atıkmatik device, which is produced entirely in Turkey and can be monitored remotely through Avea M2M lines.

In order to maximize customer satisfaction and attain excellence in service quality at Avea dealers, the AİM Customer Consultant application launched.

CONSUMER SALES

Avea's new go-to-market model implemented in fourth quarter 2013 started to bear fruit in 2014. All sales channels, especially Avea Communication Centers, the company's exclusive sales channel, played a key role in reinforcing Avea's leadership in mobile number portability.

- In line with the company philosophy of investing in employees, Avea graduated 600 dealership managers from the Avea School for Communication and Change. The School also played a major role in redesigning Avea's go-to-market model. Successful Sales Manager graduates of the school started to work within the Avea family.
- In order to maximize customer satisfaction and attain excellence in service quality at Avea dealers, the AİM Customer Consultant application launched. According to customer surveys and audit results, the development of channel structures has led to significant gains in service quality.
- Avea stepped up its sports clubs partnerships in 2014. The opening of FenerCell and KafKafCell retail stores provided fans of these football teams with a location where they can access all kinds of GSM services as well as licensed products of their favorite team.
- With the addition of two new distributors to the sales channel, Datagate and Mobimark, Avea transitioned to a regional distribution structure and created a more rapid and efficient product supply chain in the field.
- In 2014, upon the launch of the Credit Registry Bureau Risk Inquiry system, potential and existing clients who visit dealers to purchase mobile devices were given the option of paying for their purchases via Avea billing. Both the new distribution structure

600 GRADUATE

Investing in employees, Avea graduated 600 dealership managers from the Avea School for Communication and Change.

3,400 DISABLED INDIVIDUALS EMPLOYED

Özümüzle Üretiyoruz provided employment to a total of 3,400 disabled individuals over the last nine years.

and Credit Risk Inquiry monitors allowed Avea Communication Centers to achieve major increases in the volume of devices sold in comparison with the prior year. This major uptick in mobile device sales has helped Avea bolster its sector leadership in smartphone penetration.

SOCIAL RESPONSIBILITY INVESTMENTS

- **FCBEscola Istanbul Avea Football School:** In cooperation with one of the world's foremost football clubs, FC Barcelona, Avea implemented the FCBEscola Camp Avea Project to train Turkey's future football stars: In 2014, the project turned into a Football School to define a brand new vision for the game in Turkey.
- **Avea NBA Basketball Camp:** Basketball is a special area of focus at Avea. The company initiated the "Avea NBA Basketball Camp" project to invest in a new generation of basketball players, as the NBA's one and only European telecoms partner.
- **Running for Alzheimer's:** In order to draw public attention to and increase awareness of Alzheimer's disease, Avea held a footrace among company employees, jointly with Turkey Alzheimer's Association on September 21, World Alzheimer's Day.
- **Producing with Our Own Strength (Özümüzle Üretiyoruz):** Developed in cooperation with FEV and İŞ-KUR, "Özümüzle Üretiyoruz (Producing with Our Own Strength)" provided employment to 153 disabled individuals in the last year, and to a total of 3,400 persons over the last nine years. Designed to provide equal opportunities to the disabled population, the initiative helped empower them to become self-sufficient and productive family members in 2014.
- **Voice Steps Application:** Implemented under the leadership of Avea Corporate Business Solutions, the application "Sesli Adımlar (Voice Steps)" is designed to facilitate active social participation of the visually impaired. Powered by Avea technology, the Voice Steps app can be used by all visually impaired individuals regardless of their telecoms operator. The first of its kind in the world, the mobile application allows the visually disabled to use Beacon wireless technology, which communicates with smart devices in its range via radio signals, to find locations and search for retail stores.

HUMAN RESOURCES

As Turkey's youngest and most dynamic GSM operator, Avea serves a huge family of subcontractors, dealers, sub-dealers and suppliers, towards the goal of enhancing lives.

Fully aware that human capital is the key asset that will move the company forward into the future, Avea places great emphasis on the personal and professional development of employees, providing opportunities to realize their full potential while striving to become the most preferred employer.

Embracing the philosophy of human-oriented management, Avea fosters an environment committed to the concepts of active employee involvement, equality of opportunity, valuing employee ideas, and work-private life balance. Thanks to the education and advancement opportunities and talent management policies, Avea employees can work not only to develop themselves but also to add value to the company.

Avea's R&D operations and innovations resounded strongly both in Turkey and across the world. The company received a number of awards and advanced to the finals in numerous competitions.

As only the third company and the only mobile operator to be presented with IIP Bronze Certification in Turkey, Avea plans to continue implement human resource initiatives that make a difference in 2015.

AVEA'S R&D ACTIVITIES

Avea stepped up its research and development operations in 2014. Between 2010 and year-end 2014, Avea received support for 13 projects from the Scientific and Technological Research Council of Turkey (TÜBİTAK)'s TEYDEB program. Under the European Union FP7, Avea has assumed the role of project partner in two projects, providing significant support to these key initiatives. In addition, the company has filed over 60 patent applications and has issued over 30 publications.

Work on 5G Technology

In 2014, Avea continued work under the MOTO and SIGMONA projects, and joined the Connectivity Management for Energy Optimized Wireless Dense Networks (CROWD) project funded by the European Union Framework Programs. As such, Avea continued to carry out major initiatives related to fifth-generation mobile communication technology.

Partnerships with Universities

Avea R&D Center implements various joint projects as part of its long-term partnerships with universities. In 2014, collaborations with Massachusetts Institute of Technology (MIT) and Turkey's Bilkent University continued; the company worked with MIT on a project related to Google Glass, and with Bilkent University on social media analysis.

60 PATENT APPLICATIONS

Avea has filed over 60 patent applications and has issued over 30 publications.

Incubation Center

In early 2014, Avea became a call partner to TÜBİTAK's 1512B Progressive Support to Entrepreneurship Program to help new entrepreneurs benefit from the business Incubation Center.

Additionally, Avea Incubation Center initiated a separate call program for budding entrepreneurs. Applications for projects focused on M2M, big data and telecom systems were received and evaluated by the Center in 2014.

Awards

Avea's R&D operations and innovations resounded strongly both in Turkey and across the world. The company received a number of awards for its efforts and advanced to the finals in numerous competitions during the year. Avea was presented with the following prizes in 2014:

- Avea Corporate Value Added Services Project Sales Senior Specialist, Tuna Ata was granted the "Best Project Manager" award with Avea's "Electronic Tracking Project for Preventing Violence against Women" in the "Hot-Potatoes Project Manager Awards"organized for "the first time" this year by the Turkish Professional Project Managers' Institute (TYPME) within the scope of National Project Profession Conference.

- Within the scope the 8th Stevie Awards, Vice President of Avea CustomerServices Orçun Onat was granted the Silver Stevie Prize in thecategory of "The Customer Services Leader of the Year"; and Avea Customer Services was granted the Bronze Stevie Prize in the category of "Customer Services Center of the Year".
- Avea IT Test Team was chosen "The Test Team of the Year" in "The European Software Testing Awards (TESTA) 2014"organized in London on the 18th of November 2014. It was the first Turkish team receiving an award in this field.
- Avea was granted "The Best ITManagement of the Year"award in the "HP Discover 2014"international event organized in Barcelona.
- With its projects; "We Produce with Our Disabilities" – Turkey's biggest career planning project for disabled people – and "Loud Steps"– helping sight impaired people move around without getting lost in complex buildings – Avea was granted the Corporate Social Responsibility Solution of the Year "Equal Opportunity Award" in the Turkish Corporate Social Responsibility Marketplace.
- In the special event organized in London by The European Confederation of Contact Center Organizations (ECCCO), AVEA was granted 2nd place award in the platform where Europe's best 11 call centers, including Germany, France and Italy, competed.
- Avea was awarded "The Most Innovative Product/Idea Prize "with its "Identity and Access Management Project" in the 2nd "Young Turkey Summit" organized with the main theme "Think Innovatively, Manage the Future".
- The Chief Technology Officer of Türk Telekom Group, Coşkun Şahin – competing with three projects of Avea– was granted the CIO of the Year award in CIO that awards the leaders who contribute to the transmission of corporations by means of technology.
- Avea was chosen "The Operator that Increased Its Brand Value and Reputation the Most in 2014"in the "The ONE Awards" – Integral Marketing Awards – organized for the first time by Marketing Türkiye and AKADEMETRE within the scope of "Reputation and Brand Value Performance Measurement in 2014".
- In IDC CIO Awards; with the new Intravea Project the new intranet portal became 2nd in the category of "Best Innovation Project" and 3rd in the category of "Best Business Enablement Project".

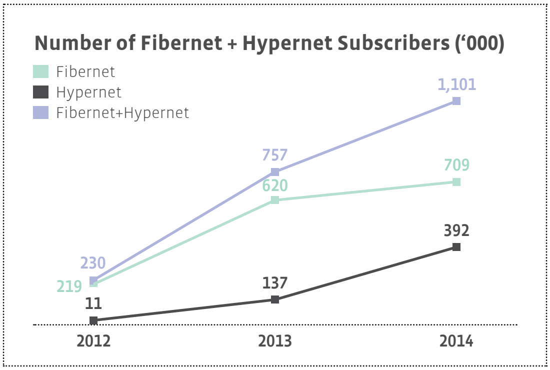
A provider of communication technologies, including fixed voice, fixed data, mobile voice, mobile data, TV and digital services, TTNET offers a wide range of innovative products and services.

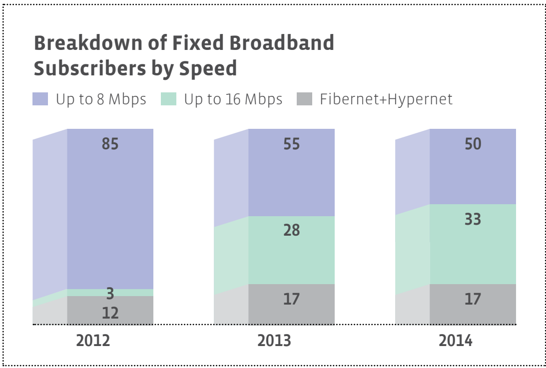
TTNET

6.4 million subscribers	More than **1** million fibernet and hypernet subscribers	**1.9** million TV subscribers	**ttnet.com.tr**

Established in 2006 to connect Turkey to the internet and the world, TTNET has since evolved into a leading technology company delivering communications and entertainment services together, thanks to undergoing a digital transformation. Playing a major role in the sector today with consumer and corporate services, TTNET is the market leader in terms of subscriber numbers. TTNET fully integrates fixed voice, mobile voice, mobile data, TV and digital services. The company has launched numerous innovative products and services for consumers over the past eight years.

By providing internet, TV, voice and 3G services to customers in one single bill, TTNET became the first in Turkey to deliver “four-in-one service,” in yet another national innovation. The company meets the full range of the country’s communication needs through specific offerings designed for the education, entertainment, communication, security and corporate business markets. Developing Turkey’s first IPTV service Tivibu Ev (Home), TTNET transferred cinema and television onto portable platforms with TivibuGo! service which gathered the Tivibu Web, Tivibu Mobile and Tivibu Smart TV applications under the same roof.





- TTNET doubled the speed level of the entry level packages in 2014. Packages went up from 8 Mbps to 16 Mbps in speed while the fiber start speed climbed to 24 Mbps. As a result, 50% of the customer base switched to speeds of 16 Mbps and faster.
- The number of subscribers who shifted to a higher speed, fair usage or quota rose nearly 60% over the prior year to more than 2 million.
- The number of high-speed Fibernet and Hypernet subscribers exceeded 1 million, with TTNET maintaining its leadership position in this segment.
- After the British Federation Cup and Italian, French, Portuguese and German leagues, the Netherlands league also joined the Tivibu platform. UEFA Champions League and Europa League will broadcast on Tivibu for three seasons starting from 2015-16.
- Serving over 5,000 points in the country’s 81 cities, TTNET WiFi has now reached the skies with Turkish Airlines, the playing field with Turkey’s first smart stadium Türk Telekom Arena, the roads with İETT buses and the water with İDO sea buses. As a result, TTNET provides free-of-charge internet access to customers “on air, land and sea,” becoming Turkey’s largest WiFi network operator by far.
- TTNET teamed up with the world’s leading device brands, including Apple, Samsung and Toshiba, in promotional campaigns that provided customers the opportunity to purchase state-of-the-art devices with installment payments.
- In 2014, TTNET’s data usage per customer climbed to 53 GB.
- As of December 2014, TTNET obtained higher than its targeted customer satisfaction score, with 80.6 points. (Ipsos KMG, Individual Customer Satisfaction Survey, December 2014.)
- In the Ipsos KMG survey “The Most Sincere Brands 2014,” conducted for MediaCat magazine, TTNET was designated the “Most Sincere Brand” in the Internet service provider category by a large margin.
- TTNET’s unassisted brand recognition as ISP rose from 73% in 2013 to 85% in 2014. (Ipsos KMG, Advertisement and Brand Monitoring Survey, December 2014.)

TTNET also launched the “Discover Speed Plus (Hızı Keşfet Plus)” campaign which delivers hyperspeed internet and Tivibu services to customers in a single bill.

BROADBAND MARKET

An analysis of the global fixed internet market reveals that demand for high-speed internet is on the rise and that the number of fiber connections is growing much faster than other types of fixed connections. According to Information and Communication Technologies Authority (ICTA) data for third quarter 2014, the share of fiber subscriptions in the Turkish fixed internet market increased from 12% in 2013 to 16% in 2014. As a result, the number of fiber internet subscribers in Turkey has grown 44% over the previous year as of September 2014. TTNET, however, expanded its own fiber internet subscriber base by 57%, significantly outperforming the sector average, thanks to intensive marketing efforts, thus reinforcing its strong market position.

The proportion of fiber connections is expected to increase in parallel with the anticipated growth in demand for high-speed internet in coming years. Unlimited packages make up about %90 of the offerings of operators in Europe and the US. The share of unlimited subscribers of TTNET surged to 87% by end-2014, up from 84% at end-2013. 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 online experience.

Broadband Campaigns

- TTNET increased its fiber internet subscribers in 2014 with the launch of the “Discover Speed (Hızı Keşfet)” campaign. Thanks to the acceleration of speed of the entry level packages from 8 Mbps to 16Mbps and the upgrading of speed of Fibernet and Hypernet from 20 Mbps to 24 Mbps, 50% of TTNET’s customer base switched to speeds of 16 Mbps and higher. The company also launched the “Discover Speed Plus (Hızı Keşfet Plus)” campaign which delivers hyper-speed internet and Tivibu services to customers in a single bill.
- In 2014, TTNET launched promotional campaigns including: “Tek Fiyat (Single Price)” which offers home phone owners the advantage of paying a fixed price in return for a contractual commitment of 24 months; “12 Ay Sabit Fiyat (12-Month Fixed Price)” which addresses customers who prefer a shorter commitment period; and “FaturaNet” which offers an internet package that stops once it reaches a pre-defined quota, for those Türk Telekom subscribers who have a limited demand for internet services. To appeal to the customer segment that does not use home phones, internet-only packages were rolled out with options of 12 or 24 months of contractual commitment: “Yalın İnternet (Internet Only)” and “2’si 1 Arada (Two-in-One).”
- In consideration of socio-economic differences within Turkey, TTNET launched regional campaigns to meet the specific demands of customers and used a geographic region focus in marketing communications. The campaign “Tam Zamanında (Just in Time),” which delivers bulk internet with attractive pricing, remained on offer in provinces

87% UNLIMITED SUBSCRIBERS SHARE

The share of unlimited subscribers of TTNET surged to 87% by end-2014, up from 84% at end-2013.

with economic development priority and thereby the internet penetration increased in these less developed areas.

- In 2014, the company also launched promotions targeting specific customer segments. internet-only packages for university students who frequently go online but who have a limited budget in return for a 12-month commitment relaunched under the name "Üniversiteli Kampanyası (University Student Campaign)" with the addition of English Time and Playstore game benefits. Meanwhile, the "Üniversiteli Kampanyası (University Student Tablet Campaign)" presented the opportunity to purchase tablet PCs at economical prices. "Genç Kampanyası (Youth Campaign)" offers young people aged 18-25 benefits such as hyper-speed internet, low prices and ProG İstanbul University certification.
- Designed to break the everyday routine in the lives of civil servants, the campaign "Kamuluya Her Şey Dâhil Kampanyası (All Inclusive for Public Employees)" was positioned with the concept "İnternet Hayatını Renklendirir (Color Your Life with Internet)," with budget friendly pricing. The campaign package price was all-inclusive, covering modem and connection fees, too.
- "Okula Dönüş Kampanyası (Back to School Campaign)" gives customers the chance to use Vitamin, one of the strongest brands in online education, free for six months. This offer not only reduces school expenses but also supports an important cause, education. Under this campaign, current customers were offered the "Süper Limitsiz (Super Unlimited)" service, which comes with 100 GB AKN and a TL 50 gift cheque.
- "Yazlık İnternet (Summertime Internet)" packages, mainly targeting vacation homeowners, were offered to ensure that customers are not deprived of Internet during the summer months. The packages come in options of two or three months in duration.
- In 2014, TTNET presented 18 device models to customers through 14 different device promotions, which reached a total of 100 thousand customers. The company also rolled out "Akıllı Kota (Smart Quota)" which suspends Internet service once the predefined quota is reached, but offers the option to purchase additional quota upon request.

TTNET

INTERNET	TELEVISION	VOICE	VALUE-ADDED SERVICES
FIBERNET HYPERNET ULTRANET TTNET WIFI TTNET WIFI FON TTNET MOBILE 3G	TİVİBU TİVİBU GO!	TTNET ALO TTNET MOBILE	TTNET MUSIC TTNET BOOK TTNET VİTAMİN TTNET PROG PLAYSTORE TTNET SECURITY TTNET PAYMENT NETDİSK

Since Tivibu's inception, around 45,000 content videos were viewed 60 million times on the service. Tivibu continues to provide viewers with rich, high quality content at a high resolution.

TİVİBU

TTNET provides cinema and TV broadcasts to customers at home and work via Tivibu, or anywhere via Tivibu GO!

Available via television, PC, tablet, cell phone and Smart TVs, Tivibu boasted 1.9 million subscribers as of year-end 2014. Coupling rich and high quality content with cutting edge technologies, Tivibu stands well above other TV service providers.

- Personalized user experience includes features such as "Choose and Play," "Replay," "Stop and Play" and "Red Carpet."
- The interactive channel application allows simultaneous viewing on the same screen of multiple live broadcasts such as sports, documentary, entertainment, news and music. Viewers can navigate among the different channels.
- The interface "Engelsiz Tivibu (Accessible Tivibu)" was designed to enablevisually impaired (in whole or in part) citizens and accompanying individuals to access Tivibu via the web.
- Application Store – recently including Yandex Maps – with its social media, road and weather condition, football applications that get richer every day.
- Customers can experience the service with Tivibu Demo via the web, without having to subscribe.
- The Tivibu application featured on Smart TVs gives non-TTNET subscribers the ability to rent films with mobile payment.
- Tivibu became available on Smart TVs as a result of partnerships with Samsung, Arçelik-Beko and Philips.

1.9 MILLION TİVİBU SUBSCRIBERS

Tivibu boasted 1.9 million subscribers as of year-end 2014.

	Total	HD	Domestic	International
Tivibu Ev	205	47	127	78
Tivibu Go! (Web)	147	16	97	50
Tivibu Go! (Cep)	93	6	82	11
Tivibu Go! (Smart TV)	5	2	5	0

Rich, high quality content

Since Tivibu's inception, around 45,000 content videos were viewed 60 million times on the service. Tivibu continues to provide viewers with rich, high quality content at a high resolution.

- In 2014, through partnerships with leading global studios and Turkish producers, Tivibu offered 12 new cinema channels via Sinetivi, Sinetivi Adrenalin and Sinetivi Karnaval complete with HD broadcasts. As a result, Tivibu became the Turkish TV platform offering the most cinema channels, 24 in total.
- In 2014, in addition to the Italian, French and Portuguese leagues on offer, Tivibu started to broadcast Dutch league matches and some Bundesliga games through a collaboration with TRT.
- Tivibu's largest capital investment went to purchase the broadcast rights of UEFA Champions League and UEFA Europa League from 2015 until 2018. Having won the tender, Tivibu will now offer subscribers these games for three seasons starting in 2015.

Far beyond a traditional TV platform

In addition to many dozens of TV channels available for viewing, Tivibu's content library features over 500 "Seç İzle" films that can be watched on demand, more than 150 "Kırmızı Halı (Red Carpet)" films, some 300 documentaries, over 40 series with around 600 individual episodes, and thousands of videos in categories that include children, music, lifestyle and entertainment. Tivibu subscribers can view all this video content at any time.

Tivibu is with the consumers on all screens

Tivibu: This service is the first and only television platform in Turkey broadcasting over IP via modem without the need for a satellite dish. Since the beginning of 2012, Tivibu's subscriber base has grown fourfold while the service now includes over 200 channels and more than 5,000 videos in the content library.

TivibuGo! Web: This web-based service includes 147 channels, more than 5,000 video content items, and a subscriber base of over 1.5 million.

TivibuGo! Cep: The mobile phone service features 93 channels and over 4,000 videos.

TivibuGo! Smart TV: Available on LG, Samsung, Arçelik-Beko, Vestel and Philips Smart TVs, the Tivibu application features nearly 5,000 video content items and includes sports and cinema channels exclusive to Tivibu.

As Turkey’s only WiFi operator to support an automatic connection feature, TTNET has the widest hotspot network in the country with over 5,000 wireless hotspots.

Tivibu Tariffs and Campaigns
Tivibu markets subscription packages that are continuously enriched with ongoing content investments at the most competitive prices in the market. The “Sabit Fiyat” campaigns, which come in 12- or 24-month commitment options, start from the monthly fee of TL 9.90. The now enhanced cinema package offers the richest content at the most favorable pricing starting at TL 15.90/month. The 12-month subscription campaign, which offers three additional months for free, and the 24-month subscription package, which offers six additional months at no extra charge, figure among the most important promotional offers presented to customers 2014.

TTNET WiFi
As Turkey’s only WiFi operator to support an automatic connection feature, TTNET has the widest hotspot network in the country with over 5,000 wireless hotspots. At these locations across Turkey, TTNET subscribers can connect to WiFi free-of-charge, thanks to complimentary connection minutes provided in their internet subscription packages.

- **TTNET WiFiFly:** In June 2014, TTNET launched Turkey’s first internet service on airplanes. TTNET WiFiFly is available to all passengers of Internet-equipped aircraft, through a brand partnership with Turkish Airlines, the air transport provider serving the most countries worldwide.
- **GS TTNET WiFi - Turkey’s first smart stadium:** Launched in 2014, GS TTNET WiFi has transformed Türk Telekom Arena into Turkey’s first smart football stadium. A TTNET WiFi hub provides online access to the largest number of stadium-goers, and the service includes WiFi in all the stands, and various digital applications. TTNET subscribers can enjoy free WiFi access in the stadium thanks to complimentary access minutes provided in their internet subscription packages.
- **İETT WiFi:** TTNET WiFi launched Turkey’s first free WiFi service on public transport. Running on TTNET WiFi infrastructure, İETT WiFi has provided free wireless internet to passengers on 100 specially equipped buses since February 2014.

VALUE-ADDED SERVICES

TTNET Music
As Turkey’s leading digital music platform, TTNET Music delivers music download and streaming services. To date, 3 million users have downloaded TTNET Music’s mobile application. In 2014, TTNET Music launched the Looking feature, a first in Turkey, which allows users to capture photographs of album covers on iOS tablet and smartphone cameras and then to listen to songs on those albums. Recognized with numerous awards each year, TTNET Music was named “Online Music Service of the Year” at the Webrazzi awards. In addition, the service received the Silver Prize at LACP Magellan Awards, the “Honorary Mention Award” at PR News Social Media Icons and the “Best Music Web Site” award at Kadir Has University Technology Awards.

TTNET Game - Playstore
On Playstore, Turkey’s only digital gaming library, users access more than 1,000 games simultaneously with the rest of the world. Playstore also markets the games İstanbul Kıyamet Vakti, Icanfootball and Süpercan, produced by the company Sobee, which has been acquired by TTNET.

TTNET Book
TTNET Book enhances the reading experience with special features such as social media access and reading out loud. TTNET Book currently offers over 5,000 book titles by more than 200 publishers to users. In 2015, in a first in Turkey, TTNET plans to convert into an electronic marketing platform for books, magazines, comic books, newspapers and academic publications.

TTNET Alo
An important feature of bundled offerings, TTNET Alo climbed to over 1 million subscribers in 2014. During the year, it became possible to freeze the TTNET Alo service along with DSL service.

TTNET Vitamin
TTNET Vitamin is Turkey's top online educational support service that assists elementary and high school students with home- and course-work over the Internet. The service is available by purchase, or through limited free use. Pursuant to the curriculum

5,000 BOOKS

TTNET Book currently offers over 5,000 book titles by more than 200 publishers to users.

prescribed by the Ministry of National Education, TTNET Vitamin instructs through interactive exercises, makes learning easier and improves student success in school lessons and on exams.

TTNET ProG
TTNET ProG offers more than 100 certified occupational and personal development online training programs, along with foreign language instruction at every level and Istanbul University Online Certification Programs.

TTNET Security
TTNET Security's product group includes Secure Internet Service, Family Protection Password and McAfee Virus Protection.

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.

BUSINESS DEVELOPMENT PROJECTS IN 2014
In 2014, TTNET continued to support and add value to its business partners and customers via innovative business development initiatives.

Digital Payment Platforms
TTNET Ödeme: TTNET Ödeme (Payment) supports the burgeoning e-commerce market by providing a payment option through TTNET invoices. Thus, member businesses and TTNET subscribers can perform online shopping with TTNET assurance.

TTNET Poskur: Created by TTNET in collaboration with Iyzico, the virtual POS application TTNET Poskur allows e-commerce firms to easily connect to the virtual POS systems of contracted banks via a common platform. With advanced data security standards and effective fraud filters, TTNET Poskur provides full protection to e-commerce sites and their customers.

TTNET launched the smart home and office solutions platform Livesmart, which offers integrated monitoring, control and measurement functionality.

18 CAMPAIGNS

Keeping with slogan "İyi ki TTNET'liyim" the company implemented 18 campaigns including special themed days in 2014.

11,000 PLATIN LOUNGE CUSTOMERS

In 2014, some 11,000 customers visited the TTNET Platin Lounge.

Cloud Solutions

Netsis Cloud ERP: Netsis Cloud ERP offers cloud solutions to SMEs, whereby small and medium enterprises can manage business processes quickly and efficiently online 7/24. This cooperation aims to ensure the use of ERP solutions via the cloud and to reduce costs.

E–Fatura Portal Çözümü: Developed through a collaboration betweenTTNET and İZİBİZ, the e-invoice solution E–Fatura Portal Çözümü operates in direct integration with the GİB e-invoice project. Companies deploying the program can use e-invoicing with full legal processes and also benefit from e-archive solutions free-of-charge.

PlusClouds: TTNET and PlusClouds jointly offer an online software store where all corporate users in Turkey can have access to the benefits of Cloud IT technologies. The PlusClouds Software Store features specialized software for various sectors such as law, public services, IT, education, health and trade.

HotelRunner: TTNET and HotelRunner joined forces to launch HotelRunner, a Cloud-based digital marketing and sales platform that helps hotels and travel agencies in Turkey benefit from an effective online presence.

Livesmart: TTNET launched the smart home and office solutions platform Livesmart, which offers integrated monitoring, control and measurement functionality. Customers are also provided residential assistance and alarm monitoring center services, in order to meet all their needs in end-to-end solutions and boost customer satisfaction.

LOYALTY PROGRAMS IN 2014

- In keeping with the slogan "İyi ki TTNET'liyim (Great to Be a TTNET Subscriber)," the company implemented 18 promotional campaigns including special themed days in 2014. Through joint campaigns with well-known brands such as Carrefour, Aygaz and Pepsi, TTNET offered various discounts and benefits to clients. Additionally, the web site ttnetleokulyolunda.com received 114 thousand visitors during the school year and provided various advantages to users.
- On November 17, 2014, TTNET Hyper-Speed Club launched to raise fiber access awareness and improve customer satisfaction amongst the nearly 1 million Fibernet and Hypernet package subscribers.
- In 2014, some 11,000 customers visited the TTNET Platin Lounge which opened a year earlier in Atatürk Airport's International Terminal with the TTNET Platin Lounge "Travel" promotion.

- Customers who used the TTNET online sales channel and call center were offered the chance to win complimentary round trip tickets for two to Europe, in addition to the ongoing internet promotional campaigns.

Brand Partnerships
In 2014, the company established partnerships with market leading players such as AKSA, Intel, ASUS, Arçelik, ING Bank, Vatan, Bimeks, N11.com, Hızlıal.com and Hangisi.net from various sectors including energy, retail, e-commerce, electronic device manufacturing. These partnerships resulted in a wide range of benefits presented to potential and existing clients.

TTNET BURASI Youth Store
Set up in university campuses with TTNET as the main sponsor, youth stores provide access to thousands of students while promoting and marketing TTNET products and services.

Online Education Partnership
TTNET became the technology partner of Turkey's first online university, Akdeniz Research and Science University. Under this partnership, the university offers students a complimentary one-year TTNET unlimited Internet package.

Google Premium SMB Partnership
TTNET entered into an agreement to become Google's one and only Premium partner in Turkey. As part of the partnership, Google AdWords will be marketed among TTNET corporate customers and the company will manage online customer campaigns efficiently on their behalf.

CUSTOMER LOYALTY

- In 2014, the doubling of TTNET customer internet access speeds led to 4.5-fold increase in customers switching to high-speed packages. As a result, the percentage of subscribers enjoying speeds of 16 Mbps and above rose to 50%.
- In order to inform customers about special offers and promotions through a more enhanced customer experience, TTNET initiated the Campaign Management System project. Launched in May 2014, the Welcome Program notifies customers about product specs and prices, asks them whether they have any issues with their Internet access and provides proactive solutions to counter any possible problems.
- Early actions inviting customers to renew contract commitments and work on channel optimization brought commitment renewals prior to contract expiry to above 50%, and subscriber loss was avoided. Current customers were offered fixed priced promotions tailored according to service type through various channels. In 2014, TTNET focused on 16 Mbps package sales and gave customers the opportunity to double their access speed at discounted rates. During the year, TTNET also launched cross-sales and loyalty-focused bundle campaigns with early commitment features designed to boost customer satisfaction.

CUSTOMER SATISFACTION ACTIVITIES IN 2014

TTNET continues to improve customer satisfaction by closely assessing the individual experience recorded with every product and at each service contact point, and implementing a proactive approach based on the results.

- As of December 2014, TTNET obtained higher than its targeted customer satisfaction score, with 80.6 points. (Ipsos KMG, Individual Customer Satisfaction Survey, December 2014.)
- The Online Service Center increased the service diversity of the "SMS 6606" transaction channel, and launched innovations such as live customer support via WEBchat and TV. Customers can now easily access their service contracts and commitments via the Online Service Center.
- TTNET started to send user name and password details via SMS upon initiation of customer subscriptions. Additionally, in over 50 transaction types, customers are now instantly notified via SMS and e-mail.
- TTNET combined Tivibu, internet and fixed voice service contracts into a single contract for customers. Subscribers no longer have to fill out forms in transactions such as tariff plan change, transfer, revision of bill upper limit and change of contact information. As a result, customers and the company save time while conserving paper.

The doubling of Internet speed in 2014 encouraged thousands of existing corporate customers to switch to Ultranet packages.

CORPORATE PRODUCTS AND SERVICES IN 2014

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

In cooperation with Türk Telekom, TTNET rolled out "İşyerim- sabit telefon 20 ay %50 İndirim (My Business-50% discount for 20 months)" in order to meet the fixed voice and broadband needs of corporate customers in a single promotional campaign. During "Okula Dönüş (Back to School)" season, shopkeepers were offered the "2 al 1 Öde (Buy One, Get Two)" promotion. The doubling of Internet speed in 2014 encouraged thousands of existing corporate customers to switch to Ultranet packages.

SOCIAL RESPONSIBILITY PROJECTS IN 2014

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

The TTNET initiative "İnternetle Hayat Kolay" resounded in the international arena, and was presented with five awards in 2013. This achievement was truly crowned with two grand prizes in 2014 when

"İNTERNETLE HAYAT KOLAY" PROJECT

The TTNET initiative "İnternetle Hayat Kolay" presented among the world's best 50 social responsibility projects for the year.

the project received the Global Sabre Award, figuring among the world's best 50 social responsibility projects for the year.

After becoming the first Turkish company to be accepted to the United Nation's Business Call to Action (BCtA) network in 2013 for this innovative project, TTNET raised the bar even higher in 2014. The "Herkes İçin İnternet (Internet for All)" initiative was named one of "20 Exemplary Projects" by BCtA and cited in UN's global report.

This social responsibility project is designed to provide Internet literacy education to thousands of people who go online for the first time, in cooperation with the UNDP and Habitat Development and Governance Association. The objective is to help improve Internet literacy in Turkey and provide equal opportunities in access to information.

TTNET Volunteers

Established with the participation of all company departments, TTNET Volunteers has furnished volunteer educators to the "İnternetle Hayat Kolay" project since its inception, and assists in administering Internet education seminars across Turkey.

Engelsiz TTNET

As part of the "Engelsiz TTNET (Accessible TTNET)" initiative, which is designed to deploy communication technologies to help everyone enjoy equal opportunity in information access, TTNET upgrades its products and services to make them usable by disabled individuals, thus removing obstacles for the disabled to access information.

Under the "Engelsiz TTNET" project, TTNET added the Audio Described Films Folder to Tivibu Ev and TivibuGo, resulting in voice description features for the visually impaired, and subtitles and sign language support for the hearing impaired. Screen reading programs as well as talking TV remote controls and similar aids have helped enhance the TV experience for disabled individuals.

AWARDS IN 2014

As in prior years, TTNET was deemed worthy of numerous international and national awards in 2014 in recognition of its innovative projects and initiatives. Presented with a total of 44 international awards, TTNET received 20 of these prizes for its communication and corporate social responsibility projects, and 24 were in recognition of the Company's products and services.

HUMAN RESOURCES

Launched in 2013 to recruit young talent and train the leaders of tomorrow, the career program "TTNET netgelecek" recruited eight new graduate management trainees in 2014, chosen from some 15 thousand applicants. These new employees participated in a yearlong dynamic and high value-added training process, before joining a three-week work program to gain overseas professional experience at Turk Telekom Group company TT International. The scope of the program was expanded during the year with new applications; students were also included through part-time work and internship opportunities. Under the program, six young, talented individuals started at TTNET as Management Trainees and seven students worked as Junior Specialists.

Leadership at TTNET

In 2014, high potential managers participated in a development program organized together with IESE FastForward Business School. TTNET managers also had the chance to participate in the IESE Leadership Development Program and Advanced Management Program during the year.

Employee Volunteering and International Awards

Every year, TTNET implements social responsibility projects with the voluntary participation of Company employees. Children in need were provided educational supplies in 2014 through a partnership with Kızılay/Turkish Red Crescent named "TTNET'in Gülen Yüzleri (TTNET's Smiling Faces)." This project received the Silver Prize at the Magellan Awards. As part of the internal communication initiative "İyi ki TTNET'liyim (Great to Be a TTNET Subscriber)," entertaining short films shot by employees competed against each other. The project received a Gold Prize at Magellan Awards in the category of Communication Campaigns.

44 INTERNATIONAL AWARDS

TTNET was presented with a total of 44 international awards.

TTNET RESEARCH AND INNOVATION ACTIVITIES

As part of the Technology Valley Program, which started in 2013 with the objective of improving the start-up ecosystem and supporting entrepreneurs, 17 project teams were placed in business Incubation Centers located in Istanbul and İzmir. There, the budding entrepreneurs were provided with needed infrastructure, office space and mentorship. In addition, one entrepreneur was sent to Silicon Valley in California. At the end of the program, projects were assessed for possible business partnership opportunities and contacts were established with potential investors. As of year-end 2014, the Technology Valley Program was integrated with the Türk Telekom PİLOTT Program in line with Türk Telekom Group's strategies and priorities.

Since the Sobee acquisition, TTNET has built upon R&D related activities initiated by the gaming company. For example, "Codename: Arena" has attained playability as of November and the game's beta version is scheduled for release in first quarter 2015.

Other ongoing TTNET R&D initiatives include innovative service development for digital payment platforms; "TekŞifre (SinglePassword)" which enables users to check their TTNET service account from a single point; "TTNET Öneri Motoru (TTNET Suggestion Engine)" which suggests to users in real-time the content and services best suited to their needs; the transformation of TTNET Book into a digital publication platform to optimize user experience; and the development of the advanced infrastructure platform TTNET SDK and TTNET Music User Rights Management System to manage mobile applications.

In addition to call center services, AssisTT delivers end-to-end, customized value-added solutions to sector leading private and public enterprises, which the company sees as strategic partners.

ASSISTT

assistt	**8,497** employees	**19** cities **21** location	**391** millions of minutes production	**assistt.com.tr**

AssisTT was founded in 2007. In addition to offering traditional call center services, AssisTT has also become a strategic partner for corporate customers by providing valuable data to guide their sales and marketing activities. The company creates value with end-to-end customized services delivered to sector leading private enterprises and public institutions.

Having made a name for itself in directory services with the brands “11818” in 2010 and “11820” in 2011, the company carried out numerous large-scale projects in 2014, including the Ministry of Health Central Appointment System, one of the largest projects in the call center sector.

Besides serving Türk Telekom Group companies, AssisTT provides call center and directory services to major institutional customers including Turkish Airlines, Ministry of Health, Türksat, Turkish State Railways and Ministry of Family and Social Policies. In 2014, AssisTT's service offerings were expanded to include payroll services and 11818 SMS inquiry.

AssisTT contributes to Turkey's economic development by providing employment to thousands with the company's major investments in Anatolia. AssisTT is also increasingly setting the standards in the call center sector with a robust technological infrastructure, efficient human resource management and service excellence approach.

Performance Indicators

- Locations: As of 2014 yearend, the number of call centers reached21 locations. Burdur, Karaman, Çorum, Kırıkkale ve Giresun locations launched their services in 2014.
- Number of calls: 130 million calls were answered in 2014.
- Production: 391 million minutes were produced in 2014.

Turk Telekom International positions as a telecoms bridge between Europe and Asia with its fiber optic network that exceeds 40,000 km.

TURK TELEKOM INTERNATIONAL

318 employees	Operations in more than **40** companies	**40** thousand km fiber optic network	**turktelekomint.com**

Turk Telekom International is Türk Telekom Group's subsidiary in charge of international wholesale voice and data sales and marketing. Acquired by the Group in 2010, the company operated as Pantel International before being rebranded as Turk Telekom International (TTI) on May 1, 2013.

The company delivers a full range of Internet data services, customer management from a single center, integrated networking operations, infrastructure and wholesale voice services to established operators, alternative carriers, mobile operators, cable TV companies, Internet service providers and corporate customers in over 40 countries spread across Central and Eastern Europe, Turkey, the Middle East and the Caucasus.

Thanks to a fiber optic network that exceeds 40,000 km, Turk Telekom International provides a major contribution to Turkey's goal of becoming a telecoms bridge and data hub between Europe and Asia, while strengthening the country's global standing in the industry. The network is located primarily in Central and Eastern Europe countries.

Capitalizing on Türk Telekom's brand recognition in not only the region but across the world, the company continued to implement the expansion strategy in the Middle East that was initiated in 2013, becoming one of the region's major players through various collaborations and high-profile projects.

Work on the AMEER (Alternative Middle-East-Europe-Route) project, which commenced in 2013 continued in 2014. The company received the "Best Project in the Middle East" award at the 2014 Capacity Global Carrier Awards for this initiative. Implemented by Turk Telekom International through a consortium with countries in the region, AMEER provides a backed-up, rapid and secure alternative route between Dubai and Frankfurt, merging land-based and sub-marine infrastructures.

Turk Telekom International entered the Asian market by setting up a network access point (PoP) in Hong Kong in 2013, followed by the establishment of a subsidiary in Hong Kong in 2014. After obtaining the necessary licenses, TTI HK started operations, taking a significant step forward in enhancing the company's reputation and reliability among the region's operators.

PROJECTS AND COOPERATIONS IN 2014

Turk Telekom International and Datamena, a UAE-based data center platform, entered into an agreement to establish a point of presence (PoP) that will expand the company's reach into the Middle East and beyond. With this agreement, Turk Telekom International has joined Datamena data center's rich ecosystem and can now deliver its capacity services to carriers, CDNs, cloud providers and corporate customers that inhabit the network.

The company also executed cooperative partnership agreements with Tawasul Telecom, the leading provider of MPLS Networking Services in the Gulf Cooperation Council (GCC) and the Middle East. As a result, both companies can interconnect their MPLS networks, so as to extend network coverage and allow faster provisioning times for clients.

Turk Telekom International reached another MPLS collaboration agreement with ChinaTelecom Global. The mutual goal of this collaboration is to provide high-quality, reliable international telecommunications and IT services to Chinese enterprises operating in Central and Eastern Europe, Turkey and neighboring countries.

The telecoms link with minimum -latency between Europe and Asia passes through Turkey, Iran, Pakistan and China. In order to establish this route, which will provide connections in countries without access to underwater cables, such as Afghanistan, Caucasian nations, Eastern European countries and Turkic republics, work has been initiated jointly with ChinaTelecom Global and the dominant telecoms operators of Pakistan and Iran.

SEA-ME-WE-5

Turk Telekom International has joined the consortium SEA-ME-WE-5 as a full member. The cable system SEA-ME-WE-5 derives its name from the initials of Southeastern Asia-Middle East-Western Europe and is scheduled for launch in 2016. It will interconnect 15 nations along 20 thousand kilometers spanning from Asia to Europe.

The cable system will deploy the latest technologies, be open to development and will enjoy an initial capacity of 24 terabyte/s. With the participation of Turk Telekom International in the consortium, a station of the SEA-ME-WE-5 submarine cable system will be established in the Turkish city of Marmaris. Other operators on the cable will be offered an alternative route to Western Europe and the opportunity to access other countries via Turkey. By joining this large-scale project, which will create a direct connection between Turkey and fast-growing Asian countries, Turk Telekom International helps the country to gain an immense strategic advantage.

AWARDS IN 2014

At the Global Carrier Awards 2014, held by Capacity Magazine and seen as the premier event dedicated to the international wholesale telecommunications industry, Turk Telekom International received the "Best Central & Eastern European Wholesale Carrier" and the "Best Middle Eastern Project" designations.

The "Best Central & Eastern European Wholesale Carrier" award was presented to the company in recognition of the innovative and visionary development strategy implemented in 2014 and for its outstanding performance throughout the Central & East European wholesale telecoms marketplace. The "Best Middle Eastern Project" award, on the other hand, was given to TTI for the AMEER (Alternative Middle East and European Route) project, an alternative terrestrial route of superior speed and quality for telecoms traffic between Europe and the Middle East, and which avoids the Suez Canal.

TÜRK TELEKOM GROUP COMPANIES

Delivering end-to-end solutions to meet all the IT needs of Turkey's leading companies, Innova also exports its in-house developed solutions to over 30 countries on three continents.

İNNOVA

913 employees	**12** offices	Export to **31** countries	**innova.com.tr**

Established in 1999, Innova IT Solutions is Turkey's leading software developer and systems integrator with over 900 IT specialists. Operating main offices in Istanbul and Ankara as well as 12 locations across Turkey, Innova has broken a record by becoming the only company to be named one of the fastest growing technology companies in Turkey for nine consecutive years by Deloitte Technology Fast50.

Delivering end-to-end solutions to meet all the IT needs of Turkey's leading companies in telecoms, finance, public sector, health, retail and sports, Innova also exports its in-house developed solutions to over 30 countries on three continents.

The company's "PayFlex Innova" has become a reputable brand of choice for many telecoms and 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. In 2014, Innova launched new projects in Kuwait, Bahrain and Dubai; as a result, the company now provides products and services in 31 markets worldwide.

KEY PROJECTS IN 2014

A single call center for all Istanbul residents: ALO 153
The different call centers of the Istanbul Metropolitan Municipality (İBB) and related departments were united under the umbrella of "Alo 153," subcontracted to the firm CMC. Thanks to this initiative, Istanbul citizens will no longer have to dial different call centers to complete different types of transactions. İBB will thus be able to merge all the city government's assessment and complaints units, reduce costs and measure its services more efficiently.

2,500 THY cabin crew managers make the switch to tablets
In cooperation with Innova, Turkish Airlines (THY) has implemented the Digital Cabin Management System to boost efficiency in cabin operations and raise the bar further in service quality. As part of the project, THY distributed tablet PCs to around 2,500 cabin crew managers, ending paper consumption in the aircraft cabin. The system allows cabin crew managers to keep track of all forms, flight documents and tasks on their tablet computers. This transition is also a crucial ecological initiative which helps THY save 1 ton of paper per year.

Innova completed the installation and configuration of the tablets for use by flight personnel. The company also established connections between the central software and tablet PCs. In addition, both the software and accessories on the tablets distributed to flight personnelwere specially designed to reflect THY's corporate brand identity.

Free wireless connection for 310 thousand students
Innova has set up Turkey's largest wireless Internet connection, covering 81 provinces. At the 1,240 dormitories operated by the Credit and Dormitory Institution throughout the country, a wireless Internet infrastructure was established allowing 310 thousand university students residing in the dorms to access a secure and free Internet.

Innova becomes special integrator for e-Invoice, e-Archive and e-Ledger
Pursuant to communiqués issued by the Ministry of Finance, a new era has commenced in Turkey with the formal launch of electronic invoice (e-Invoice), electronic archive (e-Archive) and electronic ledger (e-Ledger), all of which Innova has been authorized by the Revenue Administration (GİB) as Special Integrator. Innova has started work on transferring customer accounting processes to the digital environment.

AWARDS

The only company in the Deloitte Technology Fast50 for nine consecutive years
In recognition of its consistent and fast growth, Innova has become the only company to be named one of the fastest growing technology companies in Turkey for nine years in a row in Deloitte Technology's Fast50. Additionally, Innova received an award in the "Big Stars" category, which ranks companies with turnover above EUR 50 million by their growth rate in the last five years.

Six awards from solution partners
2014 was a year full of awards for Innova. In recognition of its successful projects implemented in 2013, the Company was presented with a variety of awards from its international solution partners. In addition to the Deloitte awards, Innova won the following six prizes in 2014:

- HP Software - Business Partner with Highest Turnover of the Year
- HP Enterprise Group - Business Partner with Highest Growth Rate
- Huawei - Business Partner of the Year - Manageable Solutions Provider
- Cisco - Business Partner of the Year - Manageable Solutions Provider
- SAP - Biggest Channel Sales
- HP Software - Business Partner of the Year

Three awards for R&D projects
In addition to the high performance awards granted by business partners, Innova also garnered various prizes for its contributions to European Union R&D projects. The smart electric grid initiative Intelligent Monitoring of Power Networks (IMPONET) received an excellence award in Sweden; meanwhile, the telemedicine solutions development platform High Performance Telemedicine (HIPERMED) won the EUREKA Innovation and Celtic Excellence awards.

Argela develops next generation telecommunications solutions, which are marketed to telecoms operators in a vast geographic region.

ARGELA

ARGELA

186 employees	In collaboration with **15** universities	**13** patent applications	**argela.com**

Established 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 R&D facilities in Ankara and Sunnyvale, California, USA. While providing solutions and products to Türk Telekom Group companies, Argela also markets its own in-house developed products to overseas telecoms operators. Argela's solution portfolio includes Internet TV, network performance monitoring, smallcells (3G & LTE), traffic security solutions, smart network and applications, software defined networks, fixed-mobile convergence and mobile number portability.

Through the synergy created with Türk Telekom Group, Argela has implemented major projects such as TTNET WiFi, Mobil Sağlık (Mobile Health) and Fiber Switch. Fiber Switch was initially developed in the company's R&D center and later commercialized as Turkey's first domestic Fiber Switch product. Currently, it is in widespread use throughout the nation. In addition, an augmented reality mobile museum application, developed by Argela, has launched in Ankara at the Museum of Anatolian Civilizations.

In the domestic market, Argela develops strategic projects with key government ministries. In addition to the Fourth Generation (4G/LTE) Communication System Development (ULAK) Project signed with Undersecretariat for Defense Industries in 2013, the company also works on projects related to the provision of 4G components for public security networks and Software Defined Networks for 5G networks. Similarly, Argela is currently in talks with the Ministry of Transport with regard to various 4G related projects.

The company also carries out a number of cooperation projects with different universities and companies within the framework of the European Union FP7 and Celtic Projects.Contributing to Turkey's technological development with these R&D activities, Argela is also provided with funding through EU support for its R&D activities.

Argela's numerous partnerships with various universities in Turkey include new generation projects on 4G networks, Software Defined Networking, Smart Cities, Self-Organizing Mobile Networks, Traffic Security Solutions, Cloud Services and Human Computer Interaction. In collaboration with 15 universities abroad, Argela has filed 13 patent applications in the US.

In order to expand the company's overseas presence, raise its profile and acquire new customers, Argela established business partnerships in numerous countries in 2014. The company's customer base today spans from the Turkic Republics to Africa, the Middle East and Balkans to the United States.

Fourth Generation Communication System Development Project (ULAK)

In 2013, Argela for the first time entered into an industry other than telecommunications when it was selected to carry out the Fourth Generation (4G/LTE) Communication System Development (ULAK) Project of the Undersecretariat for Defense Industries. Under 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 for use by both mobile operators and public security institutions. This project aims to support Turkey's strategic objective of becoming a mobile communication infrastructure exporter by developing 4G technology with domestic capital and providing transformation to 4G in the country.

Powered by Türk Telekom Group's synergy, Sebit contributes to the development of education in Turkey through innovative and effective use of technology.

SEBİT

sebit	**254** employees	**26** years of experience	Exports to **5** countries	**sebit.com.tr**

As Turkey's largest educational technologies company, Sebit has been developing educational solutions lauded both domestically and internationally since its establishment.

Developing national and international educational solutions designed to deliver social benefit and meet the individual needs of students, Sebit has made numerous groundbreaking achievements in Turkey with its 250 employees working in offices located in Arizona, USA and Ankara, Turkey.

Sebit is one of the main players -in Turkey and worldwide- of the transformation objective in the education sector, with the company's vision of "IT Supported Interactive Education." Offered since 1998, the company's product and service portfolio, initially marketed under the Akademia brand subsequently

branded Vitamin, has been a driving force of continuous development in this field.

Sebit has significantly contributed to the advancement of Turkish education through its products and is proud to be behind the development of numerous firsts. These include Turkey's first Computer Assisted Education application, the first numerical video application in education, the first 3-D animation application, the first 2-D educational game, the first 3-D educational game - Piri the Explorer Ship and the first educational search engine.

FATİH Project moves forward
Having joined Türk Telekom Group in 2007, Sebit leverages the Group's synergy to contribute to educational development in Turkey. Through newly designed education related services, the company plans to deploy mobile information and internet technologies to bring equal opportunities in learning and remove the obstacles to participative education.

In 2013, the company's products became compatible with the 4+4+4 system implemented by the Ministry of National Education and upgrades were made in 2014. Work in the pilot schools of the FATİH Project continued with success. The first classroom management application, which runs on Win8 Tablets, "V-Sınıf" continued to be used in a FATİH Project pilot school and in the private schools of Çınar Kolejleri.

A pioneer in educational technologies
With innovative and effective use of technology, Sebit powers ahead towards becoming a global leader in educational technologies, boasting 26 years of R&D experience and an international organizational structure. The products developed by the company are marketed in five countries.

Work on Sebit's cloud based educational technology VCloud, which started in 2013, continued in 2014, especially in the integrated 1-1 education solution category. The platform started to provide benefits toward meeting the managerial and educational needs of students, teachers and administrators, as well as in areas such as collaboration, communication and governance.

Pilot applications for the VCloud service were carried out in Turkey, Lithuania, South Africa, Azerbaijan, the US and Mexico in collaboration with Microsoft.

Sebit was named one of the top five in the Best Content Providers in the World category, and also received numerous other international awards that boost the company's commitment and motivation while providing concrete proof of its achievements.

Türk Telekom remains committed to creating a difference, innovation and the appropriate business processes, requirements in the communications and information technologies sector.

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 provided fiber infrastructure that enables super speed broadband to 2.9 million households reached through FTTH/FTTB (fiber-to-the-home and fiber-to-the-building), in addition to the more than 7.2 million households reached through FTTC (fiber-to-the cabinet) as of 2014 YE.

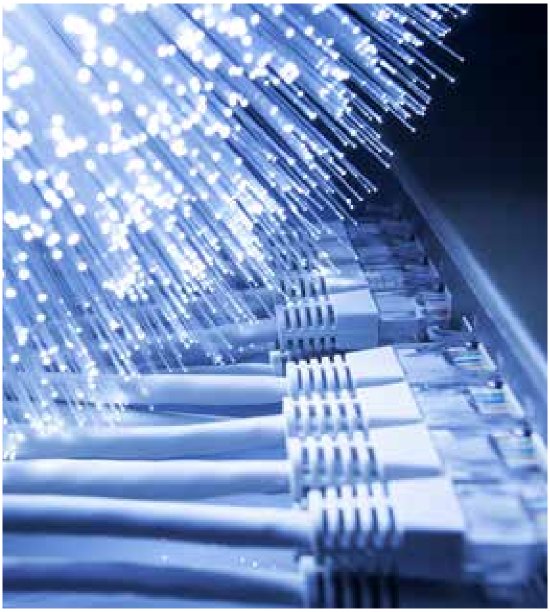
The FiberkenTT project

With The FiberkenTT project, Türk Telekom continued to replace its current copper access infrastructure in Turkey to fiber optic access infrastructure in 2014. After the transformation with FiberkenTT, efficiency has been increased in the existing central buildings for space and air-conditioning needs while copper network failures and copper wire theft have been diminished.

Türk Telekom initiated 218 projects between 2011- 2013 and eight projects in 2014. Of 226 total projects during that time, 211 are now complete and 15 still underway.

Türk Telekom's fiber optic cable length reached a total of 193 thousand km in 2014. 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 2.97 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.



MORE THAN 7.2 MILLION HOUSEHOLDS

More than 7.2 million households reached through FTTC (fiber-to-the cabinet) as of 2014 year-end.

SUPER SPEED BROADBAND

Provided fiber infrastructure that enables super speed broadband to 2.9 million households reached through FTTH/FTTB.

193 THOUSAND KM FIBER OPTIC CABLE

Türk Telekom's fiber optic cable length reached a total of 193 thousand km in 2014.

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.

New generation SDH/DWDM Transmission Network Project

5.06 Tb/s capacity was added total capacity of Türk Telekom's Metro and Regional DWDM projects in 2014, bringing the overall capacity to 78.66Tb/s in 3,894directions. On the Omurga YN-DWDM Transmission project, a capacity of 21.2Tb/s was added to bring total bandwidth to 138.66Tb/s in 698directions. The number of directions set up in the network including regional, metropolitan and backbone now amounts to 4,592 with total capacity of 217.32 Tb/s.

Under the SDH Project, ASON (Automatically Switched Optical Network) protection activities in the backbone network continued in 2014 and the ASON application expanded to 49provinces.

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 soft switch, 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 18.5Mbps at the end of 2013 had increased to 26.4Mbps by the end of 2014. In 2014, nearly 81 thousand 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.

Türk Telekom activated close to 2.5 million outdoor ports in FTTC and nearly 2.2 million outdoor ports in FTTB implementations within the framework of VDSL transformation.

81 THOUSAND CABINET INSTALLATIONS

In 2014, nearly 81 thousand cabinet installations were realized within the scope of EAS project.

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 2.5 million outdoor ports in FTTC and nearly 2.2 million 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.

ATM-IP Transformation Project
The aim is to; increase Customer Satisfaction by transferring the customers in ATM DSLAMs to IP DSLAMs and providing them with the value added services such as high speed, VDSL, IP TV; save on maintenance fees; provide extra income via disposal; enable energy conservation.

Since the beginning of 2014, 608K subscribers were transferred to IP ports. The number of active Alcatel ATM subscribers was reduced to 407.209.

With the ATM-IP transformation, USD 381 thousand saving was made in maintenance costs for 2014.

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.

Since its establishment, the network’s port capacity has increased 80-fold. In terms of the services provided and the quality and size of its infrastructure, the network remains one of the biggest backbones in Europe as of year-end 2014. As a result, customer needs are met in the fastest manner through the most advanced, cutting edge technologies.

Since 2011, 100 GE interfaces have been deployed in the network connections, which provide links that further reinforce the main backbone of the IPMPLS network. With the consolidation project implemented in late 2013 and continued 2014, 7,950 XRS routers were integrated with the network, allowing many more 100 GE interfaces per unit area. Thanks to this configuration, capacity requirements are met in the most cost-efficient manner.

Via a strong backbone established on 100G connections, end-users will be offered 1G fiber connections to their homes, while corporate customers will be offered 40/100Gconnections and high quality video, TV and mobile services. This new technology will consume much less energy in comparison to the current infrastructure, which is an additional source of motivation due to the eco-friendly approach of the Company.

As a part of the IPMPLS backbone, international bandwidth capacity has been increased to 2.97Tbps by adding additional capacities in data access points installed in, 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 1.334 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 2014, total international capacity had reached 2.97 Terabit/s with available capacity reaching 2.16 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 2014, Türk Telekom launched the Project Web application, which allows the planning and business progress related processes of access projects to be managed from a single center. In addition, the Company initiated use of the Mobile Field application, which enables field access teams to access the Project Web application via tablet PCs.

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 2014, The first phase of the project had completed, and signed additional contract for 600 dwelling unit.

With PİLOTT, TL 500 thousand capital was provided to 21 enterprises which are selected among more than 700 applicants in 2014.

KNOWLEDGE FROM UNIVERSITIES

Within the scope of university and industry research collaborations, knowledge is conveyed from universities to Türk Telekom.

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.

In order to best capitalize on the homegrown know-how in Turkey, Türk Telekom has established a robust research and development ecosystem that includes universities, SMEs with intensive R&D activities and international R&D partners.

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.

In the area of university-industry partnerships, the Company has collaborated, to date, with 15 universities including one institution abroad, on a total of 58 projects, some of which are still underway. Forty-seven professors and numerous graduate students have participated in these various cooperation, which have resulted in the publication of 51 magazine/conference papers and three national patent applications. Furthermore, five of the completed projects were chosen as candidates for potential products.

R&D Partners

In 2014, Argela continued R&D efforts conducted with business partners, which develop technologies on behalf of Türk Telekom. The company also intensified its work on the ecosystem created together with NGOs well experienced in international research and development related processes. Argela made significant headway in ongoing next generation research areas such as mobile platforms, augmented reality, image processing and location-based services. Turk Telekom International plans to continue its own joint R&D efforts with companies located in Techno cities in 2015, on research topics designated in line with the Group's R&D strategies.

Multinational Research Projects

Türk Telekom conducts international multi-party research projects with universities, research centers, large corporate enterprises and SMEs with technological competence. The main goals of these initiatives are to collaborate with organizations specialized in their fields and to tap their know-how. The Company currently is conducting four ongoing projects supported by the European Commission.

Türk Telekom has participated in a total of 12 multinational research projects; of these, seven (ROMEO, OFERTIE, BATS, COMBO, i-Treasures, ForgetIT, ACTION-TV) are under the FP7, and five (MEVICO, H2B2VS, MITSU, TILAS, SIGMONA) are under Celtic-Plus. MEVICO has been completed successfully, while two others (ROMEO, OFERTIE) have reached the final stage. Other projects continue as scheduled.

Türk Telekom Startup Accelerator Program: PİLOTT

Initiated by Türk Telekom in 2013 to support entrepreneurship and generate economic benefit by cooperating with innovative startups, the Türk Telekom Startup Accelerator Program PİLOTT closed the year 2014 with success and elevated the Company to the top of the startup ecosystem.

As part of PİLOTT, Turkey's first startup accelerator program conducted by a private company, total capital of TL 500 thousand was provided to 21 enterprises chosen from among over 700 applications received during two seasons ending in January 2014 and August 2014. At the end of both periods, six startups total, which had advanced to the top three in their respective seasons, were sent to Silicon Valley to meet with officials from leading technology companies such as Google, Apple, Facebook, Airbnb, Uber and Spotify; world-class universities including Stanford and UC Berkeley; and venture capital investors such as Y Combinator, 500 Startups and Endeavor.

Three of these 21 startups became Türk Telekom's business partners, while one startup project was acquired by TTNET. Commercial collaboration continues with 13 other startups, and five startup enterprises have received funding from investors.

On September 10, 2014, the PİLOTT Entrepreneurship Summit, hosted by Türk Telekom Group's Chief Strategy and Business Development Officer Hakan Dursun, brought together prominent entrepreneurs, investors and other key players of the startup ecosystem.

In addition to leading names in the Turkish business world such as Ali Sabancı and Leyla Alaton, the Summit hosted an impressive roster of speakers from Airbnb, Uber, TelefonicaWayra and European Investment Bank. PİLOTT entrepreneurs made presentations to a jury composed of Turkey's premier investors. The startup that won the Special Jury Award was granted the opportunity to join the world's most popular startup conference TechCrunchDisrupt; there it was chosen from among a total of 100 startups to become the first Turkish startup to make a presentation on StartupBattlefield, which is broadcast globally. Türk Telekom plans to continue helping startups join the ranks of the Turkish economy with its PİLOTT Program, while transforming the country into the region's entrepreneurship hub, and setting an example for other large corporate enterprises.

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

Investing not only in communication technologies but also in human capital, Türk Telekom serves customers with a large family of 34,389 employees with diverse backgrounds and areas of expertise.

Türk Telekom Group Personnel Information	2013	2014
Türk Telekom	21,849	21,396
Avea	1,981	2,123
TTNET	675	702
Argela	178	186
İnnova	868	913
Sebit	279	254
AssisTT	8,292	8,497
Turk Telekom International	319	318
Total	**34,441**	**34,389**

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.

Türk Telekom provides service with over 21 thousand 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 33% are associate degree program graduates. Of our total employees, 20% are aged 22 to 29, are aged 30 to 48, and 32% are 45 years old or above. The average age of employees is 37.8.

Activities on İleTTişimPortalı

Managed by the Internal Communication Department, ileTTişimPortalı (Communication Portal) was visited by users around 3 million times in 2014, about 8,500 visits per day on average. During the year, some 1,500 news articles, 100 blog entries and 55 videos related to Türk Telekom and its employees were published on the Portal. In addition, the Company posted about 750 announcements on the platform to inform and communicate with personnel.

Five blog competitions, two photography contests and two surprise competitions were held via ileTTişimPortalı, ileTTişim Magazine and monitors. Furthermore, improvements were made via the Portal to facilitate employee interaction and work processes.

In internal Türk Telekom projects, the Internal Communication Department's design team carries out any graphic design work to reinforce brand recognition and to save time and money.

İleTTişim Magazine
Previously available in print, ileTTişim Magazine was relaunched by the Internal Communication Department in digital format so that Türk Telekom employees can enjoy the publication at any time, on any device. Four issues of the magazine were published online during 2014.

Employee Campaigns
To enhance employee satisfaction in 2014, the Internal Communication Department signed corporate discount and promotional campaign agreements with 42 firms from various sectors. Employees received personal discounts from retail shops and web sites, enjoying significant savings. Personnel satisfaction related to these agreements were measured by two surveys, which revealed a satisfaction level close to 100%.

Promotional Booths
As part of the drive to boost employee satisfaction in 2014, the Internal Communication Department set up over 30 promotional booths in seven of the Company's offices in Istanbul and other provinces, in collaboration with contracted firms in areas such as health, cosmetics, skin care, training, education, bookstores and food. At the booths, the employees were offered discounted shopping and free services.

Cozy Chats
Once a month, the Internal Communication Department held talks called "Bize Özel Sohbetler" during lunch breaks, where speakers made presentations on both professional and non-professional issues of concern to employees. In 2014, the most popular themes related to raising awareness of IT security in parallel with the rise of social media, communicating within the family, managing emotions in business life, effectively managing stress and breathing therapy.

Box of Ideas
The practice of "Fikir Kutusu (Box of Ideas)" was designed by Türk Telekom to capitalize on employee experience and opinions to support innovation, encourage productivity, promote savings, improve business processes, raise service quality to enhance customer satisfaction, increase employee motivation and to ensure that all personnel can freely express themselves at the Company.

Employee ideas and suggestions were collected and assessed through Fikir Kutusu in 2014: Four boxes were opened and a total of 869 ideas were recorded. Forty-two ideas were deemed worthy of implementation by various business units and were subsequently put into practice.

"Bring Your Child to Work" Day
On April 24th, "TT Çocuğunu İşe Getir Günü (TT Bring Your Child to Work Day)" was held at the Head Office, for all employees and their children. On this special occasion, Türk Telekom employees had the opportunity to spend a pleasant day with their offspring, while the children visited their parents' workplace to learn more about what they do professionally.

Blood Donation Volunteers
In order to ensure that Türk Telekom employees and their relatives can immediately find blood for transfusions if the need were ever to arise, the Internal Communication Department initiated the "TT Kan Gönüllüleri (Blood Donation Volunteers)" initiative. Thanks to this practice, numerous employees had access to the blood plasma needed and many personnel made blood donations. In 2014, some 1,109 Türk Telekom employees became blood donation volunteers while 193 blood transfusion requests were received by the system, often via telephone.

Turkey's First Corporate Career Application: "TT Kariyer"
Türk Telekom launched Turkey's first mobile corporate career application, "TT Kariyer (TT Career)." By using this app, users can apply for jobs at Türk Telekom online and receive tips about the application process and interviewing.

İlk Mülakatım (My First Job Interview)
Developed to raise the profile of the employer brand while fulfilling corporate social responsibility, the "İlk Mülakatım (My First Job Interview)" program is managed by the Recruitment Department. Under this program, second, third and fourth year university students, new graduates with at most one year of work experience and postgraduate students are all eligible to participate. According to the participant's request, one-on-one, panel and group mock interviews are held for their benefit. Candidates who participate in recruitment simulations are provided with

On April 24th, with "TT Çocuğunu İşe Getir Günü (TT Bring Your Child to Work Day)", held at the Head Office employees and their children, employees had the opportunity to spend a pleasant day.

written reports and verbal feedback about their resumes, interview performance, career choice, as well as strengths and weaknesses. The Recruitment Department also administers personality, general aptitude and English testing, as well as expert evaluations of personality tests.

WanTTed Young Talent Management Program
In order to recruit new, fresh talent to Türk Telekom, the Company administers the WanTTed Young Talent Management Program once every year. Prior to the formal start of WanTTed, the Company holds events at universities, with the Recruitment Department and Corporate Communication Department organizing WanTTed Chats, Tea & Talk and similar activities.

During the WanTTed process, ads are placed in the media, applications are collected and candidates meeting the requirements are administered an exam. Those with successful exam results are invited to participate in Development Center activities by the Recruitment Department. Candidates who perform well at the Development Center win the chance to participate in the three-day WanTTed Camp.

Candidates who pass all these stages with success and receive positive evaluations during the Camp join the Türk Telekom family; additionally, the candidate who places first at WanTTed Camp is given a chance to go to Harvard. The Recruitment Department, jointly with TT Academy, plans the training, job rotation and other processes that the WanTTed hires will participate in after recruitment.

Employment of Disabled Individuals
As required by law, companies that recruit 50 or more persons within a given province in Turkey must ensure that 3% of those employed are those with disabilities. The Recruitment Department keeps a constant watch on the employment of disabled individuals at the Headquarters and the provincial offices to avoid any penalties and minimize risks. Employment of disabled persons is followed up and reported, and administrative penalties are avoided across Turkey with this proactive approach.

Change Management
At points of contact with customers, Türk Telekom carried out optimization projects and made upgrades as needed. Work continued on the reorganization, staffing and related workforce patterns. As a result, the Company updated job definitions and posted announcements on internal communication platforms. For newly established units, Türk Telekom redefined positions, roles and staffing patterns, and carried out rank increases and employee promotions.

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 2014, 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.

As part of Türk Telekom Talent Management, the Company collaborates with the 360+ Development Program, Talent Pool Training and universities.

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

Data received from Feedback -the final phase of 360° Competency Evaluation System- was matched with the prepared training content. Employees are invited to participate in training programs in their areas of development.

Talent Pool Training
Personnel who are deemed successful according to Performance and 360° Competency Evaluation System results, and who embody the qualities outlined in the Türk Telekom Competency Model participate in specially designed programs in the Talent Pool.

The development program is designed to raise employee awareness of their social and emotional intelligence and competency and to help them reveal or enhance their leadership potential to become more successful in their careers. The program also includes team mentorship schemes.

Collaboration with Universities
In 2014, Türk Telekom Group continued to support employee training and development through comprehensive partnership agreements with universities. Agreements were signed with Bilkent University, Bahçeşehir University, Koç University, Bilgi University, İstanbul Şehir University, Maltepe University, Okan University and İstanbul Gelişim University, allowing employees to enroll in postgraduate programs at a discount. Türk Telekom's goal in establishing these partnerships is to enhance employee competencies, raise the intellectual level of personnel and generally contribute to the development of the sector.

In 2012, in cooperation with Cambridge University, BULATS (Business Language Testing Service) was launched at Türk Telekom. BULATS, prepared by the ESOL Exam Center, is regarded as the world's premier business language test. The service continued to be used actively in 2014, in recruitment, overseas training and similar activities.

TT Academy Campuses and Halls
A modern infrastructure for the use of Türk Telekom employees was established at the Ankara Campus located on the ground floor of Aydınlıkevler C-Blok. In addition, five more classrooms were added to the Ataköy Campus.

Virtual Classroom
The Türk Telekom Academy Training Management System was integrated with the Perculus Virtual Classroom System, and used in the Türk Telekom BuluTT (Cloud) Academy project.

E-Training
In 2014, internal teams devised system and product e-trainings under 45 different topics. Group companies completed their LMS and Training Integration while joint projects received support via classroom training.

The Commercial and Support Functions Development Department administered a wide variety of initiatives during the year. These included the Common Channel Project, Office Development Program, Sales Manager Development Program, Procurement Integration Project, PİLOTT Startup Accelerator Project, Legally Required Training Programs, Work Adaptation Programs and campaign notifications in sales channels via Mobile Academy.

The Technical Functions Development Department also implemented a number of initiatives. Among these were the TT Network Expert Certification Program, IP/MPLS Tiger Team Certification Program, Cable Transmission Systems SDH &DWDM Certification Program, MOTT Certification, FTTX Expert Certification, Energy and Cooling Systems Certification Program, and TÜTED Telecommunication Technologies Certification.

In addition to these ongoing projects, work is underway to develop new projects and initiatives.

INVESTOR RELATIONS

Within the scope of the CMB's Corporate Governance Principles, Türk Telekom enjoys a transparent and close relationship and equally protects the interests of all shareholders and stakeholders.

Türk Telekom Group is a leading integrated telecommunication and technology services provider, which delivers fixed line, mobile, data and Internet services to customers at world-class standards.

The Company's main shareholders are Oger Telekom (55%) and the Undersecretariat of Treasury (30%), while the remaining 15% is floated on Borsa İstanbul (BİST). As of year-end 2014, the Group's market capitalization stood at TL 25.4 billion.

Doing its utmost to comply with the Capital Markets Board's Corporate Governance Principles, Türk Telekom enjoys a transparent and close relationship with investors and equally protects the interests of all shareholders and stakeholders.

In 2014, the Investor Relations Department attended 25 investor conferences, four of which were in Turkey; the Department conducted talks with 295 investment firms at these events. In addition, during the book-building process for the Türk Telekom bond issuance, Investor Relations held roadshows in London, Los Angeles, Boston and New York, and visited 48 investors.

During the year, talks were held with 53 investors during roadshows at various locations across UAE,

469 INVESTORS

Investor Relations met with 469 investors in total throughout 2014.

TL 25.4 BILLION MARKET CAP

As of year-end 2014, the Türk Telekom's market capitalization stood at TL 25.4 billion.

Europe, USA and the UK. Additionally, Türk Telekom Investor Relations expended great efforts to provide complete responses to all information requests received. Investor Relations held one-on-one meetings with 73 investors in Istanbul, and as a result of all its efforts, met with 469 investors in total throughout 2014.

Institutional Investor Base Reaches 200

In 2014, as in the previous year, Investor Relations organized roadshows and attended conferences, expanding Türk Telekom's institutional investor base up to 200. The Company's institutional investor base is composed of funds based in the Continental Europe (36%), North America based funds (28%), funds based in UK & Ireland (16%). Remaining part belongs to Remainder of the World (Singapore, Lebanon, Turkey, etc.)

More than 30 brokerage firms actively cover Türk Telekom, a very high figure for a Turkish company.

Bond Issue 8x Oversubscribed by International Investors

Turk Telekom's overseas bond offering of USD 1 billion to refinance short-term debt was eight times oversubscribed by international investors in 2014. During the book-building phase of the debt issue, the Investor Relations Director and other senior managers participated in a roadshow to visit top institutional investors in London, Los Angeles, Boston and New York. In the five-day roadshow, Company representatives visited 28 investors in London, four in Los Angeles, seven investors in Boston and nine in New York.

First Tablet- & Mobile-Friendly Investor Relations Web Site

Developed in line with a pioneering approach, and applying best practices in investor relations, the Türk Telekom Investor Relations web site responds to the expectations and requirements of its target audience of individual and institutional investors, experts, analysts and anyone who wants to receive investment information about the Company.

Ensuring that shareholders and stakeholders access information in a convenient and comprehensible manner, the web site is updated simultaneously in both Turkish and English.

As Turkey's first tablet- and mobile-friendly investor relations Internet site, the Türk Telekom Investor Relations web site has demonstrated its success by winning numerous awards.

Most recently, the web site was deemed worthy of a first prize in the "Best Investor Relations Web Site" category at the Investor Relations Summit held by TÜYİD on November 24, 2014. At the summit, Türk Telekom also placed second in the "Best Public Disclosure of Financial Results" category and fourth in the "Best Annual Report" competition.

Türk Telekom aims to provide support to young people in realizing their ideals, primarily in the area of education, as an investment in the future.

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.

Developing and administering social responsibility projects as a good corporate citizen, Türk Telekom aims to provide support to young people in realizing their ideals, primarily in the area of education, as an investment in the future.

Company sponsored projects such as Books on the Phone, Türk Telekom Schools, Türk Telekom Amateur Sports Clubs and Türk Telekom Internet Houses were designed with this goal in mind and continued in 2014. Over 100 local social responsibility initiatives are carried out by Türk Telekom Provincial Directorates under the "Value to Turkey" project.

Creating Value for Turkey

Türk Telekom, together with over 21 thousand "Value to Turkey" volunteers, continues to generate projects that add significant value to the community. Value to Turkey volunteers participate in many activities ranging from blood donations to collecting medicine, search and rescue teams to amateur sports clubs, voluntary book reading for Books on the Phone to collecting toys. Of the Value to Turkey volunteer efforts, the Türk Telekom Search and Rescue Team (TTAKE) is a standout, and has received AFAD certification and operates with a team of 150 volunteers.

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.

Working toward the objective of providing equal information access to disabled customers, Turkey's first telephone library Books on the Phone initiative was set up in 2011 in collaboration with Boğaziçi University's Technology and Education Laboratory for the Visually Impaired (GETEM). This important undertaking has now completed three years with much success. The first free telephone library in Turkey contains 350 books in different fields such as test publications, novels, poetry and short stories. In 2014, the most popular downloads were model exams and guides for the Turkish university exam administered by ÖSYM. Over the last three years, the most popular book among listeners was Elif Şafak's novel "Aşk (Love)."

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 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.

In a project held annually, around 21 thousand sports related items were distributed to 46 Türk Telekom Sports Clubs in 44 provinces and 51 Türk Telekom Schools in 43 provinces.

Türk Telekom Internet Houses
Türk Telekom's corporate social responsibility initiative "Internet Houses," based on the slogan "No future without education, no education without the Internet," offers free Internet access across the country. The project started out with the goal of establishing one Internet House in every district; to date, a total of 1,000 Türk Telekom Internet Houses with broadband access have opened its doors to Turkey's citizens. As part of the project, local governments of the districts where Internet Houses are located were presented with 20 fully equipped computers.

Türk Telekom Amateur Sports Clubs
Aware of the importance of sports in helping youth improve their communication skills, Türk Telekom has invested heavily in sporting events and facilities, providing support to over 30 thousand young athletes in the last 10 years. Hundreds among these sports enthusiasts were chosen to the national teams and have represented Turkey in overseas competitions, winning various medals and awards.

Türk Telekom Sports Schools
In line with the Company's socially responsible approach, Türk Telekom aims to generate sports enthusiasm and awareness among children. To this end, Türk Telekom Sports Schools are designed to help youngsters learn how to exercise regularly, effectively and safely.

In addition to the support provided to professional sports with this initiative, Türk Telekom helps ensure that the children of employees and customers grow up as honest, trustworthy and healthy individuals, accompanied by well-experienced coaches.

At sports schools located in Yeşilköy, Istanbul and Ahlatlıbel, Ankara, children receive instruction in volleyball, athletics, taekwondo, scouting, tennis, wrestling, judo, basketball and football.

Türk Telekom Search and Rescue Team
Operating under the umbrella of Türk Telekom, the Türk Telekom Search and Rescue Team (TTAKE) is composed of 150 volunteers, all of whom are Company employees. In natural disasters, accidents and during other adversities, the team carries out a range of critical tasks in accordance with its official authorizations and means, and acts in coordination with other civil defense units.

TTAKE volunteers reached Van within the first hours of a major earthquake that hit the city recently, and successfully rescued a citizen after a 32-hour operation. The same team contributed to relief efforts for five days after a hotel collapsed when another earthquake struck Van city center. The team saved one person and extracted the bodies of three deceased from the rubble.

Adding value to society with initiatives implemented, Türk Telekom shapes business processes, offices, products and services around the principles of sustainability.

As Turkey's leading communications and convergence technologies company, Türk Telekom invests in the country's transition to an information society, the economy, technology, infrastructure and human capital. In addition, the Company also adds significant value to society as a whole with initiatives implemented across the country in line with a keen sense of social responsibility. These initiatives focus on environmental and social sustainability related issues, including the disabled, the environment, sports, education, technology and social development.

Shaping its business processes, offices, products and services around the principles of sustainability in order to leave a better world for future generations, Türk Telekom views the active participation of employees, their families, suppliers and customers in this process as an integral part of its strategy.

Energy Efficiency Working Group
Türk Telekom is the first Turkish company to join the Global e-Sustainability Initiative (GeSI), which conducts a range of activities on efficient use of energy, energy conservation, and e-sustainability. Türk Telekom participates in the Energy Efficiency Working Group operating under GeSI.

Türk Telekom's efforts in environmental sustainability fall under three categories: Business Process Sustainability; Office Sustainability; Environmentally-friendly Products and Services.

SUSTAINABILITY PRACTICES IN BUSINESS PROCESSES

Energy Efficiency and Carbon Emissions
The leader of Turkey's telecoms sector, Türk Telekom A.Ş. delivers services to even the remotest villages of the country's 81 provinces. In order to create and operate such a vast infrastructure, the Company maintains devices of different types and characteristics in tens of thousands of locations.

Well aware of the social and environmental impact of its high level of energy consumption, Türk Telekom continues to undertake investments in energy efficiency and renewable energy in order to use natural resources efficiently, to extend the use of renewables, and to minimize adverse impacts on nature. Türk Telekom's current energy related investments can be divided into two groups: Renewable Energy Systems and System Transformations & Energy Efficiency.

Renewable Energy Systems/Solar Energy and Hybrid Systems
In line with its approach to renewable energy, Türk Telekom recently stepped up the Company's efforts, initiated years ago, to expand the use of solar energy and hybrid systems. Especially since 2011, intensive work on using solar energy and wind energy as part of hybrid systems has been undertaken, with projects devised to experiment with hybrid models. As a result, GES and hybrid (solar & wind) systems were set up in about 1,560 centers, which allowed an annual energy generation of 3.7 million kWh and carbon savings of 2.4 million kg.

System Transformations & Energy Efficiency
DC Transformation Project: In order to boost energy efficiency and reliability, the Company replaced less efficient DC energy equipment with high efficiency models. The equipment upgrade carried out to date has resulted in 63.3 million kWh of energy savings per year, including the cooling effect, while preventing carbon emissions of 41 million kg.

NGN Plant Transformation/Fiberkentt Projects: As part of the Company's plant transformation/Fiberkentt initiatives, plants with low energy efficiency are replaced with new generation plants and outdoor equipment with high-energy efficiency. This transformation project, initiated in 2010, has resulted in 391 million kWh of total energy savings while 242 million kg in carbon emissions were prevented.

2.4 MILLION KG CARBON SAVINGS

Thanks to renewable energy, 3.7 million kWh energy generated annually and carbon savings realized 2.4 million kg.

Free-Cooling Air Conditioner Project: Türk Telekom started to replace air conditioners in system rooms with next generation Free-Cooling air conditioning units with low energy consumption in 2011. The 175 Free-Cooling devices installed to date have led to energy savings of 13 million kWh per year, with about 8 million kg in carbon emissions avoided.

Smart Metering Project: In order to analyze energy consumption in over 2,000 locations, Türk Telekom initiated the Smart Metering Project. This initiative will allow the Company to monitor energy consumption in detail, and when necessary, in real time. As a result, of the project, Turkey's largest application of Smart Metering technology will be put in place. The installations have already prevented annual carbon emissions of 1.5 million kg.

RL and Satellite Systems Transformation: The 119 satellite systems deployed in the system to date were discarded; the energy consumption of 26 satellite systems were paid for by the Company. In addition, the ongoing satellite systems were replaced with IP-based systems. As a result, 0.13 million kWh of energy has been conserved and 0.1 million kg of carbon emissions have been avoided annually.

Packet Switching System Optimization: Packet switching systems were replaced with new generation IP systems, which led to total energy savings of 1 million kWh and carbon emission reductions of 0.6 million kg.

Transmission Systems Transformation: Services that used to run on older generation systems unavailable for technical support and maintenance were transferred onto new generation transmission systems. The result of this modification was improvements in the maintenance facility, energy

Charged with the training of Türk Telekom employees, dealers and business partners, Türk Telekom Academy administers most of its training programs throughout the country online.

168,858 ONLINE TRAINING

Until now, our employees have participated in 168,858 online training on Academy Portal.

40,000 KG OF PAPER SAVING

Every month by recycling 40,000 kilograms of paper saved on average through paper recycling schemes.

savings and hall upgrades. This transformation led to 3.6 million kWh of energy savings and 2.3 million kg of carbon emission cuts in 2014.

Building/Hall Optimization Projects: Some 226,000 m2 of space was spared, which led to drastic cuts in energy consumption for cooling purposes.

CoreRouter Solutions: With a partnership agreement signed in 2014, Türk Telekom started using devices that provide very high interface and traffic processing capacity in unit area and minimize energy consumption without additional operational costs, in order to meet the needs of its constantly growing network and traffic. The deployment of CoreRouter solutions will allow Türk Telekom to increase capacity, facilitate operations and cut energy costs.

E-learning: Türk Telekom contributes to sustainability by implementing pioneering practices in e-learning. Charged with the training of Türk Telekom employees, dealers and business partners, Türk Telekom Academy administers most of its training programs throughout the country online. To date, some 168,858 employees have participated in the Academy's online training. No print handouts are distributed in classroom training and all documents are transferred to the online information library. The Online Training and Information Library helps save an average of 1,286 trees each year.

Telepresence: In use at the Company since April 2009, Telepresence technology offers remote meeting services with "in the same room" quality. Some 15,381 meetings have taken place at Türk Telekom using this technology, amounting to 17,382 hours, and helping to avoid some 61,524* flights. Meetings held with Telepresence eliminate both emissions resulting from air travel and vehicles used in airport transfers, thus significantly contributing to the fight against climate change.

Videoconferencing: By deploying videoconferencing systems in 250 locations, Türk Telekom has held 48,579 meetings with a total duration of 47,073 hours, which helped avoid an estimated 145,737* flights, in addition to numerous airport transfer services.

*The calculation assumed that an average of four individuals attend Telepresence meetings and an average of four individuals attend videoconferences.

ENVIRONMENT FRIENDLY OFFICE PRACTICES

Energy efficient light bulbs
Türk Telekom has replaced all the light bulbs in its offices across the country with energy efficient models, to save energy and reduce costs.

Heat insulation and jacketing
In new construction buildings and buildings under the renovation process, Türk Telekom installs heat insulation and jacketing systems in line with the TS 825 and Energy Performance Regulation, to cut energy consumption for acclimatization purposes.

Commuting by Public Transport
Türk Telekom offers service buses to 10,000 Company employees across Turkey. With this service, Türk Telekom helps personnel avoid carbon emissions by leaving their private cars at home.

Building Automation
Türk Telekom has switched its mechanical systems (e.g. heating, cooling, acclimatization, ventilation) over to Building Automation Systems to lower electricity and natural gas consumption. In the last three years, automation efforts in 50 buildings have helped cut electricity consumption by 1.9 million kWh and natural gas consumption by 410,000 m3 (3.9 million kWh) annually. Yearly energy savings of 5.8 million kWh was achieved with 3.6 million kg per year of carbon emissions avoided.

Lighting Systems Upgrade
As part of this project, 250 LED lighting poles and 426 LED projectors were installed in the exterior lighting systems of Company buildings; these efforts are ongoing. Compared to the previous exterior lighting systems, the eco-friendly new generation LED systems consume 75% less energy and last longer. In the last year, LED lighting systems have helped save 220,000 kWh and cut 135,000 kg of carbon emissions per year.

System Halls Improvements
Türk Telekom replaced the devices in system halls in its buildings with eco-friendly models. Additionally, space use was optimized to diminish the size of system halls and heat insulation systems were improved to cut energy consumption for cooling purposes by 10-20% and slash carbon emissions by 15%.

Paper Recycling
Every month, Türk Telekom saves about 640 trees by recycling 40,000 kilograms of paper on average through paper recycling schemes used at Head Office buildings and 12 Regional Offices. Paper collected from the Head Offices in Ankara and Istanbul, and Regional Offices is regularly delivered to companies authorized by the Ministry of Forestry and Water Affairs.

Environmentally Friendly Car Fleet
Implementing environmental sustainability efforts under the slogan “Environmentally Friendly Communications,” Türk Telekom added five Renault Fluence Z.E. electric automobiles to the Company’s car fleet. Taking into account the pollution and climate change effects caused by vehicles operating on fossil fuels, Türk Telekom aims to increase the share of electric vehicles in its fleet in coming periods.

Management of Food Waste
Under the “Türk Telekom Food Safety Standardization” program, Türk Telekom disposes of waste oil and food under supervision and carries out controls in the catering firms it collaborates with. Furthermore, materials used in food preparation are ensured to be recyclable and are collected under supervision.

Campaign to Collect Bottle Caps
In the communities it serves, Türk Telekom has held campaigns and placed collection boxes in key locations for plastic bottles and their caps, to ensure the recycling of this material and avoid possible damage to the environment.

Electronic Document Management System: EdiTT
In order to reduce paper consumption, Türk Telekom uses the Electronic Document Management System - EdiTT in sending correspondence. As a result, 10 tons of paper are saved each year while correspondence takes place online, without hard copies.

Türk Telekom raised ecological awareness on World Environment Day (June 5) by encouraging all employees to switch off their computer monitors during lunch break.

Centralized Printing Project
Türk Telekom's Centralized Printing Project replaced personal printers with printing centers, which has helped the Company save 186.75 tons of paper and conserve 3,174 trees per year. Furthermore, the ink cartridges from the printing centers are collected under supervision and dispatched to authorized recycling centers.

World Environment Day
Türk Telekom raised ecological awareness on World Environment Day (June 5) by encouraging all employees to switch off their computer monitors during lunch break.

ENVIRONMENT FRIENDLY PRODUCTS AND SERVICES

E-Invoice
Turkey's first company to launch electronic billing, Türk Telekom initiated the e-billing era in 2008. Türk Telekom also retains electronic copies of bills, thereby saving twice as much paper.

Cloud Products
BuluTT Conference: Thanks to the BuluTT (Cloud) Conference service, face-to-face meetings are replaced with meetings via smartphones, tablets, desktops and offices, to slash travel costs, save time, and increase business productivity and employee interaction.

186.75 TONS OF PAPER SAVING

With Centralized Printing Project, 186.75 tons of paper saved and 3,174 trees conserved.

BuluTT Storage: Türk Telekom's BuluTT (Cloud) Storage service allows users to store files in the cloud for back-up and future reference purposes from any device. BuluTT Storage offers companies the chance to cut costs and minimize adverse impacts on the environment.

BuluTT Academy: A Türk Telekom service that enables universities and other institutions to administer remote online training programs, BuluTT (Cloud) Academy grants students access to online documents uploaded by universities and facilitates participation in online training and programs. Furthermore, this service can also host exams, resulting in paper and printing costs for institutions, while protecting the environment.

IMPORTANT DEVELOPMENTS AFTER THE ACCOUNTING PERIOD

February 3, 2015 Audit Committee Appointments
The Board of Directors of our Company has resolved to appoint İbrahim Eren, Independent Member of the Board, as Chairman of the Audit Committee and Yiğit Bulut, Independent Member of the Board, as member of the Audit Committee.

February 6, 2015 Guidance
Under normal circumstances, our guidance for 2015 is as below:

› Consolidated revenue growth (excluding IFRIC 12 construction revenues) to be 5% to 7% over 2014
› Consolidated EBITDA to be between TL 5.1 billion and TL 5.2 billion
› Consolidated CAPEX (excluding the potential spectrum licence fees) to be around TL 2.3 billion

February 10, 2015 Resignation of Statutory Audit Board member
Our Statutory Audit Board member Süleyman Karaman has resigned.

February 19, 2015 Appointment of Independent Board Member
Our Company's Board of Directors has resolved that Kemal Madenoğlu shall be appointed as an Independent board member, in the capacity of real person board member, to the vacant board member position 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.

DIVIDEND DISTRIBUTION PROPOSAL

DIVIDEND DISTRIBUTION TABLE OF TÜRK TELEKOMÜNİKASYON A.Ş. FOR THE YEAR ENDED 31 DECEMBER 2014 (TL)				
1)	Paid / Issued Capital			3,500,000,000
2)	Total Legal Reserves (in accordance with statutory records)			2,122,800,581
	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		2,575,879,416.76	3,032,265,768.17
4)	Tax Expenses (-)		606,911,540.72	548,022,593.33
5)	Net Profit for the Period (=) [(*)]	(3-4)	2,007,438,823.39	2,484,243,174.84
6)	Prior Years' Losses (-)		0.00	0.00
7)	General Legal Reserves (-)	((5YK-6YK)*0,05)	0.00	0.00
8)	NET DISTRIBUTABLE PROFIT (=)	(5-6-7)	2,007,438,823.39	2,484,243,174.84
9)	Donations made during the year (+)		8,537,047.65	
10)	Net disributable profit including donations that is the base of calculation of first legal reserves	(8+9)	2,015,975,871.04	
11)	First Dividend › Cash › Share › Total	((1 or 10) *the rate determined by th Company)	403,195,174.21	
12)	Dividend paid to preference shares	(Amount of the dividend for privileged shareholders in accordance with the articles of Association)	0.00	
13)	Dividend paid to › the Board Member › Employees › person other than shareholders		0.00	
14)	Dividend paid to redeemed share owners			
15)	Second Dividend		1,437,658,301.60	
16)	General Legal Reserves	((11+12+13+14+15+20)-(H4*0,05))/10	166,585,347.58	
17)	Status Reserves		0.00	
18)	Special Reserves		0.00	
19)	EXTRA ORDINARY RESERVES	5-(6+7+11+12+13+14+15+16+17+18)	0.00	476,804,351
20)	Other Distrıbutable Sources		0.00	0.00

[(*)] The amount is consolidated net income after minority interest

Board of Directors Decision on Dividend Distribution
It is resolved for the decision of our Company's General Assembly:

1. Our Company's net profit for fiscal year 2014 according to the independently audited consolidated financials prepared in accordance with the "CMB Communiqué on Financial Reporting in Capital Markets II-14.1" amounts to TL 2,007,438,823.39, and according to the Turkish Commercial Code clauses and Tax Procedure Law amounts to TL 2,484,243,174.84;

2. According to CMB Communiqué II-19.1, the profit after tax amount of TL 2,007,438,823.39 is the base amount for dividend distribution;

3. Our Company has already reached the general legal reserve limit, which is 20% of the paid in capital in accordance with Article 519 of the Turkish Commercial Code. This reserve is not required for 2014;

4. The base for the first dividend is TL 2,015,975,871.04. This amount is calculated by adding the donation amount in 2014, which is TL 8,537,047.65 to the net distributable profit of 2014, which is TL 2,007,438,823.39.

5. It is decided:

a. To distribute 20% of TL 2,015,975,871.04 (first dividend base), TL 403,195,174.21 as cash first dividend;
b. That the second legal reserve of TL 166,585,347.58 (calculated as 1/11 of the net distributable profit after 5% of paid-in capital is deducted from it pursuant to Capital Markets Board regulations) shall be set aside;
c. The remaining TL 1,437,658,301.60 shall be distributed as cash second dividend;

Accordingly:

d. A total cash dividend amount of TL 1,840,853,475.81 to be distributed shall be covered by current period net profit;
e. 0.525958 Kuruş (52.5958%) gross cash dividend per each share with a nominal value of 1 Kuruş shall be distributed to our shareholders and the total gross cash dividend distribution amount shall be TL 1,840,853,475.81;

6. The distribution of the cash dividends to our shareholders shall begin on May 28, 2015, at Merkezi Kayıt Kuruluşu A.Ş. Süzer Plaza Askerocağı Caddesi No: 15 Kat: 2 34367 Elmadağ - Şişli / İstanbul.

TÜRK TELEKOMÜNİKASYON A.Ş. (2014)
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	1,012,469,411.70	0.5259580	52.60
	B	552,256,042.74	0.5259580	52.60
	C	0	0	0
	D	276,128,021.37	0.5259580	52.60
	TOTAL	**1,840,853,475.81**	**0.5259580**	**52.60**
NET	A*	1,012,469,411.70	0.5259580	52.60
	B**	469,417,636.33	0.4470643	44.71
	C***	0	0	0
	D****	234,708,818.17	0.4470643	44.71
	TOTAL	**1,716,595,866.19**	**0.4470643**	**44.71**

DIVIDEND DISTRIBUTED TO SHAREHOLDERS (TL)	RATIO OF DIVIDEND DISTRIBUTED TO SHAREHOLDERS TO NET DISTRIBUTABLE INCOME INCLUDING DONATIONS
1,840,853,475.81	91%

*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 one (1) Group C share, which is owned by the Turkish Treasury and does not have the right to receive dividend payment according to our Articles of Association.
**** As the 15% of the total capital are traded on 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 01.01.2014-31.12.2014

It is undersigned and hereby 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 the 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 the 2014 fiscal 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.

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 8.72 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 (%)	Rating
Shareholder	25	8.45
Public Disclosure & Transparency	25	9.45
Stakeholders	15	8.40
Board of Directors	35	8.54
Total	**100**	**8.72**

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 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 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.

Head of Investor Relations Department is not a member of the Corporate Governance Committee. Chairmanship of the Early Identification and Management of Risks Committee is vacant.
These issues are in the planning phase.

SHAREHOLDERS

Investor Relations Unit
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	+ 90 0212 309 96 30	ir@turktelekom.com.tr
Süleyman Kısaç	Manager		
Özge Kelek	Manager		
Eren Öner	Manager		
Şule Gençtürk	Senior Analyst		
Nergis Gündoğdu	Senior Analyst		
Sezgi Eser	Senior Analyst		
Selin Akar	Analyst		
Ayça Sincan	Director Assistant		

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

In 2014, Investor Relations department attended 4 investor conferences in Turkey, 25 investor conferences in total and met with 295 investment corporations in these conferences. Moreover, roadshows were organized and 48 investors were visited in London, Los Angeles, Boston and New York during the book building process of the issued bonds. Within the year, 53 investors were visited in the roadshows organized at various locations in United Arab Emirates, Europe, USA and England. Separate meetings were held with 73 investors in İstanbul. As a consequence of all activities carried out, Investor Relations department met with 469 investors in 2014. More than 1000 information requests were made to the Directorate in 2014 via phone ande-mail andall of the requests were answered.

The report regarding the activities of Investor Relations presented to Board on February 25, 2015.

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 1.000 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 "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 services for 2014 activities were provided by KPMG, which performs said services under the legal entity of Akis 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 2014 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 (f) 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

* The business regarding electronic communications services including without limitation broadband services, internet and data services, fixed and mobile telephony, information services, media services and technology and solutions and providing electronic communications networks and infrastructure.

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.

2014 General Assembly Meetings

On 31 March 2014, at the Türk Telekomünikasyon A.Ş. Genel Müdürlük Kültür Markezi, Turgut Özal Bulvarı, 06103 Aydınlıkevler,Ankara, Ordinary General Assembly was intended to convene where 93.92% of the Company shares were present in proxy both via electronic platform and individually. However since government commissioners did not participate, General Assembly could not convene. Minutes of the Meeting is accesible at the http://www.ttinvestorrelations.com/corporate-governance/general-assembly-meeting.aspx.

On 27 May 2014, 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 93.53% 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 2013 Ordinary General Assembly Meeting dated 27 May 2014 were published on Turkish Trade Registry Gazette (TTRG) dated 5 June 2014. 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, Information Set 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 donations including humanitarian aid made by Our Company to the associations and charitable instititions which were worth of TL 38,684,176.42 for the year 2013. These associations and instititions operate in education, health, sports, and art. Donation policy was amended and the annual limit of donations was determined as 40 Million TL, amended donation policy has been approved by shareholders on the General Assembly Meeting.

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. On May 1, 2014 Feridun Bilgin was appointed by the Board of Directors as the Board Member representing the Class C golden share, the membership shall be presented to the approval of the upcoming General Assembly Meeting.

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 maximum of distributable profit which is calculated based on Capital Markets Board regulations. Dividend Distribution policy was approved by shareholders' in 2013 Ordinary General Assembly Meeting convened on May 27, 2014. 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 2013 dividend distribution was resolved by General Assembly and dividend distribution on non public shares was made on 28 May 2014, for public shares dividend distribution was made on 30 May 2014.

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"

* "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.

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.

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 May 27, 2014. 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.

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 BIST 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
- 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 Information
- Financial Statements and Activity Reports
- Regulatory Disclosures
- Press Releases
- Investor Presentations

- Investor Relations News
- Stock Performance Information
- Contact Information Of Analysts Who Covered The Company
- 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
- Disclosure 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

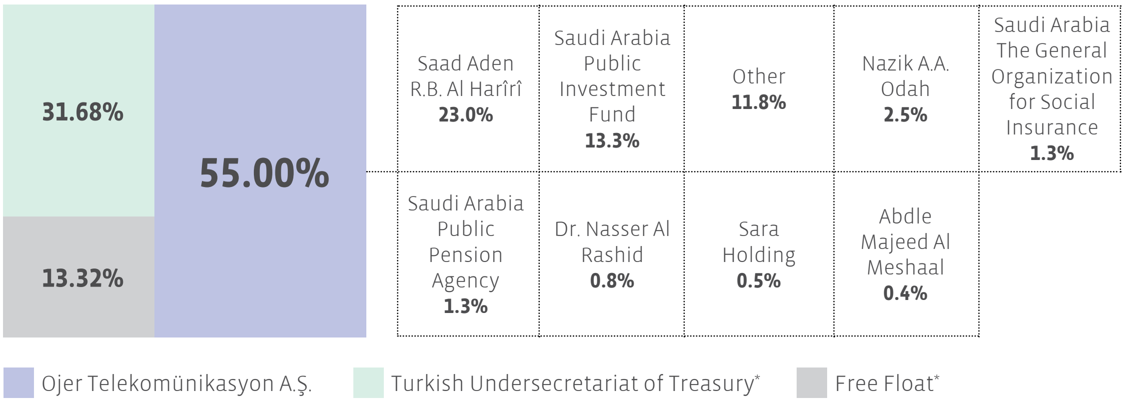
The content of the annual activity report are prepared in accordance with New Turkish Commercial Code and Capital Market Board regulations. There were no conflicts of interest arising between Türk Telekom and the related organisations which offer investment advice, investment analysis, and rating activity. 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.

In 2014, Türk Telekom Group successfully achieved all its targets it had publicly announced 2014. Group revenue reached TL 13.6 billion and thus exceeded the lower limit (TL 13.58 billion) of the 2014 revenue guidance.Group EBITDA figure was TL 5.05 billion and exceeded the lower limit (TL 5 billion) of the 2014 EBITDA guidance. Group's capital expenditure reached TL 2.15 billion as the guidance (TL 2.1 billion approx.) for 2014 was met.

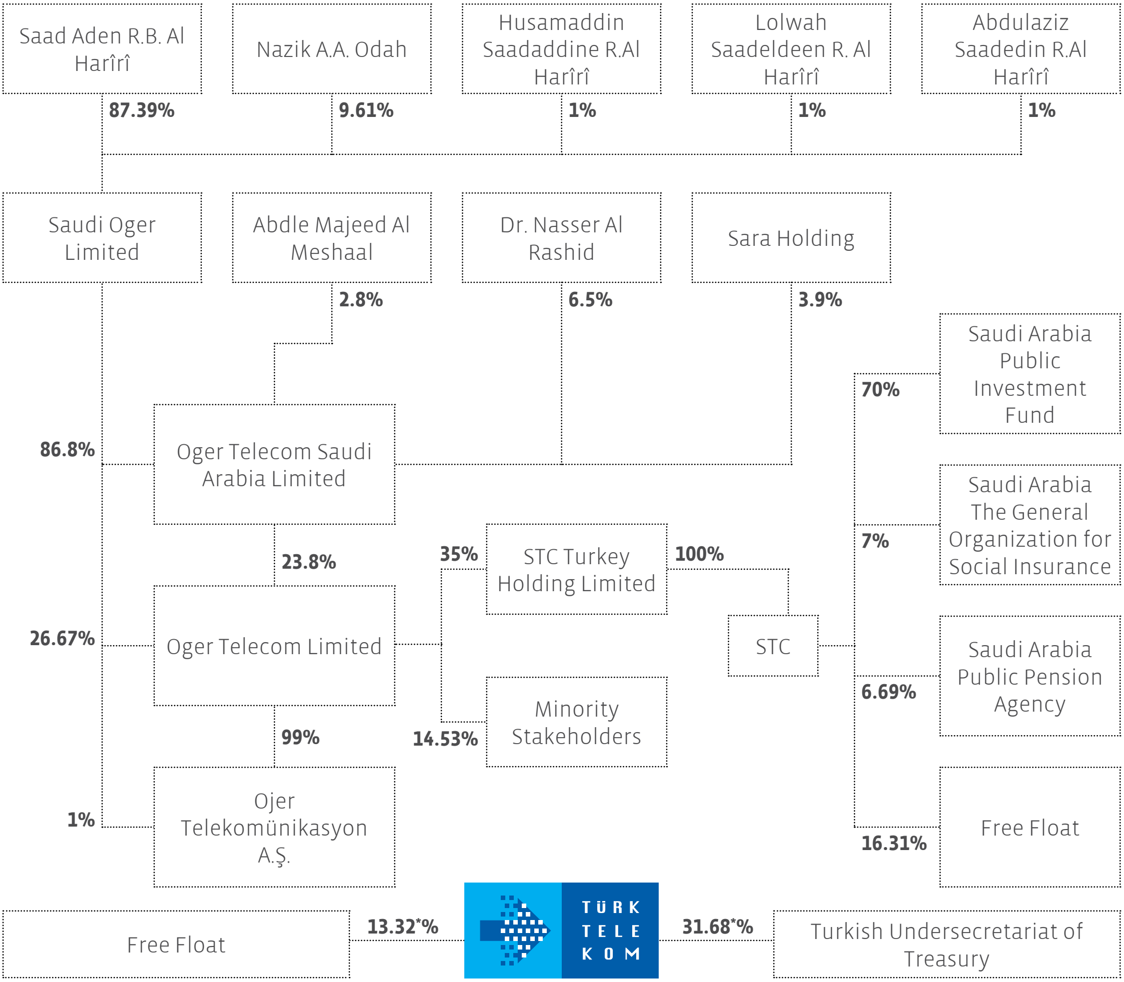
As there is no reciprocal shareholding interests in the Company's share capital, no information regarding this issue is placed in activity report.

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:



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



*15% of the total capital IPO'd however since T.R. Undersecretariat of Treasury purchased the shares constituting 1.68% of the capital from stock market, effective free float is less than 15%

STAKEHOLDERS

Keeping Stakeholders Informed

Türk Telekom shareholders and investors are kept informed in line with the public disclosure principles. The Company's Corporate and Consumer Business Customer Care Departments 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.

Stakeholder Participation in Management
There is no specific rule of the Company regarding stakeholder participation in management. A communication form enabling stakeholders to freely communicate their concerns about any illegal or unethical practices to the Corporate Governance Committee is available on IR website.

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 2014.

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.

BOARD OF DIRECTORS

Structure and Formation of the Board of Directors
Our Board of Directors was elected at the Extra Ordinary General Assembly Meeting which was held on 30 June 2012, for a term of 3 years and will be elected on 2014 Ordinary General Assembly Meeting. Structure of the Board of Directors as of the report date is below:

Name, Surname	Duty	Independent / Not Independent Board Member	Executive / Non Executive	Committee Duties
Mohammed Hariri	Chairman	Not Independent	Non-Executive	Executive Committee Chairman, Corporate Governance Committee Member
Feridun Bilgin	Vice Chairman	Not Independent	Non-Executive	Executive Committee Member
Abdullah Tivnikli	Member	Not Independent	Non-Executive	Executive Committee Member
Rami Aslan	Member, CEO	Not Independent	Executive	Executive Committee Member
Mazen Abou Chakra	Member	Not Independent	Non-Executive	Audit Committee Observer Member, Early Identification and Management of Risks Committee Member
Khaled Hussain S. Biyari	Member	Not Independent	Non-Executive	Executive Committee Member, Audit Committee Observer Member
Al-Hakam Marwan Moh'd Kanafani	Member	Not Independent	Non-Executive	
Cenk Serdar	Member	Not Independent	Non-Executive	Corporate Governance Committee Member, Early Identification and Management of Risks Committee Member
Fahri Kasırga	Member	Independent	Non-Executive	
İbrahim Eren	Member	Independent	Non-Executive	Audit Committee Chairman, Corporate Governance Committee Chairman
Yiğit Bulut	Member	Independent	Non-Executive	Audit Committee Member
Kemal Madenoğlu	Member	Independent	Non-Executive	

Biographies of the members of Türk Telekom's Board of Directors are placed in the Board of Directors Section of the annual report and Investor Relations website. 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 on January 17, 2014. After receiving the consent from application to CMB for the nominee,Board of Directors has resolved on January 29,2014 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 December 27, 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.

After resignation of Süleyman Karaman, Independent Board Member, Fahri Kasırga 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 on February 26, 2014. After receiving the consent from application to CMB for the nominee,Board of Directors has resolved on March 7, 2014 that Fahri Kasırga 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 Süleyman Karaman on February 26, 2014, 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.

After resignation of Adnan Çelik, Independent Board Member, Yiğit Bulut 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 on April 30, 2014. After receiving the consent from application to CMB for the nominee,Board of Directors has resolved on May 6, 2014 that Yiğit Bulut 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 Adnan Çelik on May 1, 2014, 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.

Our Independent Board Member İbrahim Şahin has resigned from Board Membership on October 13, 2014. Independent Board Member, Kemal Madenoğlu 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 on January 29, 2015. After receiving the consent from application to CMB for the nominee, on February 19, 2015 Kemal Madenoğlu has been appointed as an Independent Board Member, in the capacity of real person Board Member, to the Board Member position which is vacant, 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	Al Mal Investment Holding, Avea İletişim Hizmetleri A.Ş., Cell C (Pty), GroupMed International Holding Limited, GroupMed sal (Holding), BankMed sal, Oger Telecom Ltd., Ojer Telekomünikasyon A.Ş., SaudiMed Investment Company, TTNET A.Ş.,
	Vice Chairmanship of the Board	Saudi Oger Ltd.
	Board Membership	3C Telecommunications (PTY) Limited, Arab Bank plc., Enterprise de Travaux Internationaux, Lanun Securities S.A., Oger International S.A.,
Feridun Bilgin › Vice Chairman of the Board, › Member of the Executive Committee	Board Membership	-
	Vice Chairmanship of the Board	Avea İletişim Hizmetleri A.Ş.
	Other	Undersecretary Ministery of Transport, Maritime Affairs and Communications of Turkey
Abdullah Tivnikli › Board Member, › Member of the Executive Committee	Chairmanship of the Board	4TEK İletişim A.Ş. – Istanbul, A G Gayrimenkul Yatırım San. ve Tic. A.Ş. – Istanbul, Alphakat Dizel Sanayi ve Ticaret A.Ş.– Istanbul, Çeşme Enerji A.Ş. Istanbul, Eksim Elektirik Enerjisi İthalat İhracat ve Toptan Satış A.Ş. – Istanbul, Eksim Enerji Danışmanlık A.Ş.– Istanbul (Previous Ünvanı; Eymir Enerji A.Ş.), Eksim Yatırım Holding A.Ş. – Istanbul, İltek Enerji Yatırım San.ve Tic.A.Ş. – Istanbul, Karadeniz Elektirik Yatırım San. Tic. A.Ş. – Istanbul, Kartaltepe Enerji A.Ş. – Istanbul, Kök Elektrik Enerjisi İthalat İhracat ve Toptan Satış A.Ş. – Istanbul (Previous Ünvanı; Kök Makine Sanayi ve Ticaret A.Ş.), Körfez Gayrimenkul Yatırım Ortaklığı A.Ş. – Istanbul, Merzifon Enerji A.Ş. – Istanbul, Net Ekran Televizyonculuk Ve Medya Hizmetleri A.Ş.– Istanbul, Rewe Enerji A.Ş. – Istanbul, Seferihisar Enerji A.Ş. – Istanbul, Stoneks Madencilik ve Doğaltaş San.ve Tic.A.Ş. – Istanbul, Susurluk Enerji A.Ş. – Istanbul, Tam Enerji Yatırım San. ve Tic. A.Ş. – Istanbul, Tokat Enerji A.Ş. – Istanbul
	Vice Chairmanship of the Board	Argela Yazılım ve Bilişim Teknolojileri A.Ş. – Istanbul, AssisTT Rehberlik ve Müşteriz Hiz. A.Ş. – Istanbul, Batı Hattı Doğalgaz Tic. A.Ş. – Istanbul, Hasanbeyli Enerji A.Ş. – Istanbul, İnnova Bilişim Çözümleri A.Ş. – Istanbul, Kuveyt Türk Katılım Bankası A.Ş. – Istanbul, Rsh Enerji A.Ş. – Istanbul, Sebit Eğitim ve Bilgi Teknolojileri A.Ş. – Ankara
	Board Membership	11818 Rehberlik ve Müşteri Hizmetleri A.Ş. – Istanbul, Akabe İnşaat San.ve Tic.A.Ş. – Istanbul, Akasya Çocuk Dünyası A.Ş. – Istanbul, Avea İletişim Hizmetleri A.Ş. – Istanbul, Kat Turizm Gayrimenkul Yatırımları Ve İşletme Ticaret A.Ş.- Istanbul, Ottoman Gayrimenkul Yatırımları İnş. ve Tic. A.Ş. – Istanbul, Saf Gayrimenkul Yatırım Ortaklığı A.Ş. – Istanbul, Sinangil Gıda Pazarlama San. ve Tic. A.Ş. – Istanbul, TTNET A.Ş. – Istanbul
Rami Aslan › Board Member, › Member of the Executive Committee, › CEO Previous: › Observer Member of the › Audit 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., Turk Telekom International AT AG
	Board Membership	3C Telecommunications Pty Ltd., Avea İletişim Hizmetleri A.Ş., Cell C (Pty), Net Ekran Televizyonculuk ve Medya Hizmetleri A.Ş., Oger Telecom Ltd., Ojer Telekomünikasyon A.Ş., TTNET A.Ş.

Name - Surname **Duties in TT Group over the last 5 years**	**Duties outside of Türk Telekom**	
Dr. Khaled Hussain S. Biyari › Board Member, › Member of the Executive Committee, › Observer Member of the Audit Committee	Chairmanship of the Board	STC Advanced Solutions
	Board Membership	Avea İletişim Hizmetleri A.Ş., Kuwait Telecom Company, Oger Telecom Limited, Ojer Telekomünikasyon A.Ş.,
	Other	CEO of Saudi Telecom Company (STC), Vice President ofOger Telecom Limited, Chairman of the Executive Committee of Kuwait Telecom Company, Chairman of the Executive Committeeof STC Advanced Solutions
Fahri Kasırga › Board Member	Board Membership	-
	Other	General Secretary of Presidency of Turkish Republic
Mazen Abou Chakra › Board Member, › Observer Member of the Early Identification of Risks Committee, › Member of the Audit Committee	Board Membership	3C Telecommunications Pty Ltd., AssisTT Rehberlik ve Müşteri Hizmetleri A.Ş., Cell C (Pty), Net Ekran Televizyonculuk ve Medya Hizmetleri A.Ş., Oger Telecom Ltd., Ojer Telekomünikasyon A.Ş.,
	Other	Oger Telecom Ltd. Chief Legal Officer and Deputy CEO, Turk Telekom International Group Supervisory Board Member
Al-Hakam Marwan Moh'd Kanafani › Board Member Previous: › TT Group CEO	Board Membership	Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret A.Ş., Cell C (Pty), Innova Bilişim Çözümleri A.Ş., Oger Telecom Ltd., Ojer Telekomünikasyon A.Ş., Sebit Eğitim ve Bilgi Teknolojileri A.Ş., ETNO, SAMENA
	Other	Vice Chairman of Turk Telekom International Group
Cenk Serdar › Board Member, › Member of Corporate Governance Committee, › Member of the Early Identification of Risks Committee	Board Membership	Avea İletişim Hizmetleri A.Ş., Contact Centers Company (CCC), SALE Advanced Co. Ltd.,
	Other	Chief Consumer Officer of STC
İbrahim Eren › Board Member, › Chairman of the Audit Committee, › Chairman of Corporate Governance Committee	Board Membership	Euronews
	Other	Vice President of TRT (Turkish Radio Television)
Yiğit Bulut › Board Member › Member of the Audit Committee	Board Membership	-
	Other	Chief Advisor of Presidency of Turkish Republic
Kemal Madenoğlu › Board Member	Board Membership	-
	Other	Undersecretary of Turkish Republic Prime Ministry

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. Meetings of the Board of Directors were held in fiscal 2014. The over-all attendance rate of board meetings in 2014 was percent.

Pursuant to the 12[th] 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. There were no important transactions presented for approval of the independent directors and all the related party transactions were approved by the majority of the independent directors.

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. Audit Committee Chairman İbrahim Şahin has resigned from Board Membership on October 13, 2014.

İbrahim Eren was appointed Chairman of the Audit Committee and Yiğit Bulut was appointed member of the Audit Committee.

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 Eexecutive 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. Chairman of the Committee, Adnan Çelik resigned from Board Membership on May 1, 2014, İbrahim Eren was appointed to be the Chairman of the Committee.

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 resgined from his position. Chairman of the Committee, Süleyman Karaman resigned from Board Membership and Committee chairmanship on February 26, 2014.

Audit Committee shall meet five 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 2014 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.

Independent Board Member İbrahim Eren serves as Chairman of both Corporate Governance Committee and Audit Committee, as a result of the shareholder decision.

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.

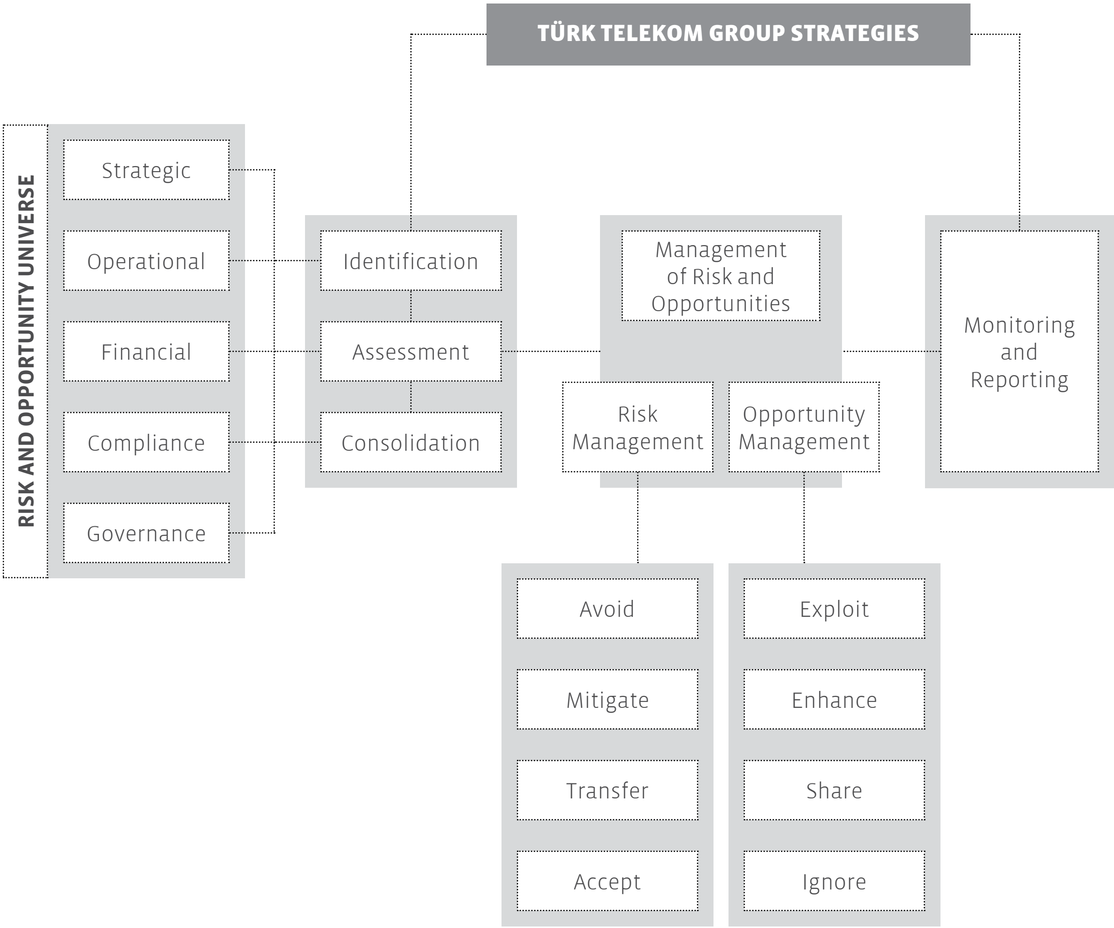
The management approach of the Company not just comprises of the mitigation of the risks already present/that might arise in the risk universe; but also includes the treatment of risks born from not taking advantage of the related opportunities. In this context, Board of Directors and the Top Management 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.

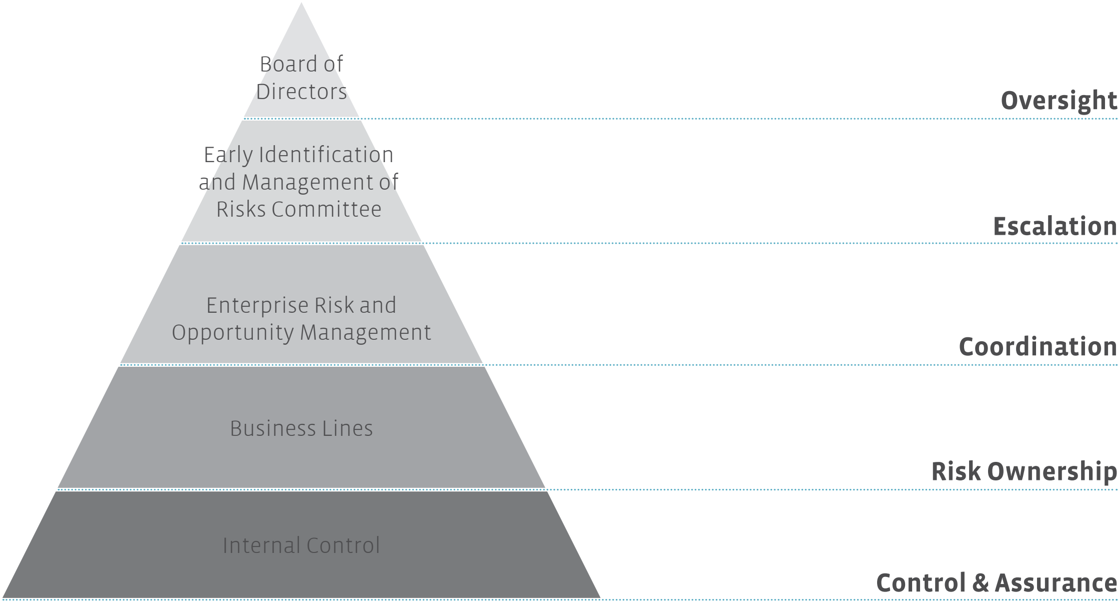
The risks Türk Telekom is exposed to are classified as strategic, operational, financial, governance and compliance. These risks are measured via qualitative and quantitative risk metrics and management tools which are continuously improved and updated to be in harmony with the dynamic global conditions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

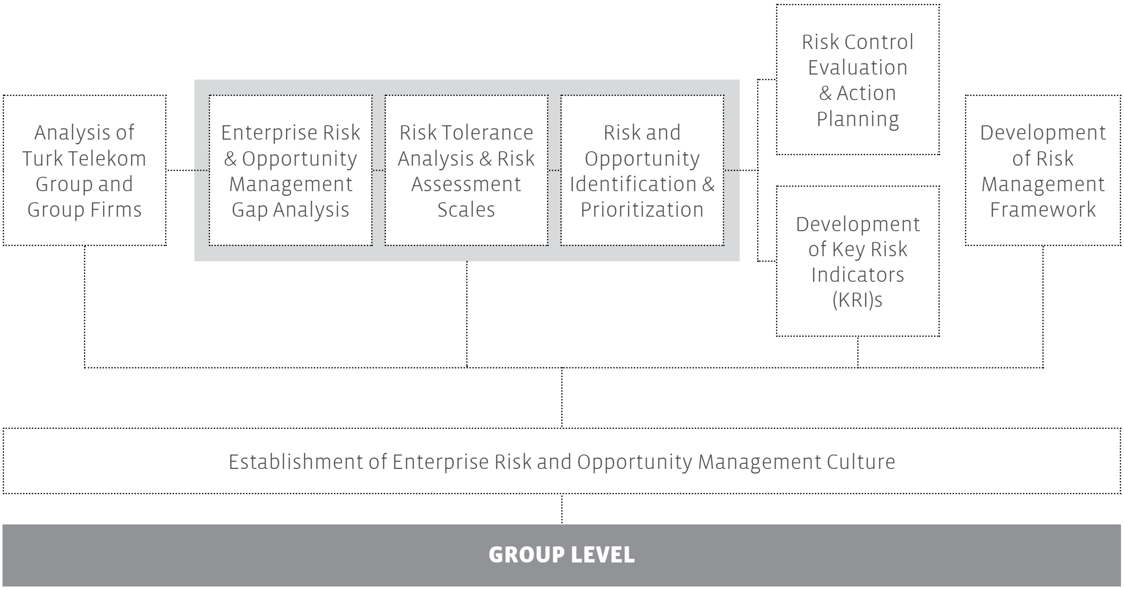
Business functions own the related risks and opportunities and takes relevant measures and actions.

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 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 conducted periodically with the coordination of Enterprise Risk and Opportunity Management from here onwards.

Efficiency of the succesfully established risk management and internal control systems are periodically observed by the Board of Directors through Early Inspection of Risks and Management Committee and Audit Committee and evaluated as satisfactory.

Strategy
5 years Strategic Business Plan and annual budget; which include the strategic targets determined by observing the global and local sectoral develeopments, technological developments and identifying customer preferences are subject to Board of Directors approval. Board watches the performance of Türk Telekom reaching its strategical targets monthly.

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 annexed to the Communiqué II-17.1 on Corporate Governance.

At the General Assembly Meeting dated 27 May 2014, 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

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

The remuneration of directors and other members of key management	31 December 2014 (thousand TL)	31 December 2013 (thousand TL)
Short-term benefits	96,243	81,739
Long-term defined benefit plans	1,936	1,894
	98,179	**83,633**

compete in accordance with the Communiqué II-17.1 on Corporate Governance and Turkish Commercial Code no 6102 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

Furthermore, Oger Telecom Management Services Company (OTMSC) charged to the Company a management fee amounting to 29,697 thousand TL and an expense fee for an amount of 210 thousand TL for the year ended 31 December 2014 (31 December 2013 – thousand TL 23,607 and thousand TL 238), 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 8,500 USD) for three years.

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;

- 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,

- 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 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.

- I have necessary educational background, information and experience for fulfilling independent board member duties,

- Pursuant to Income Tax Law No.193 dated by 31.12.1960, I am a resident in Turkey

- 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,

- 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,

- I have not served as a board member of the company for more than six years in last ten years.

- 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.

- I am not registered and announced on behalf of the legal entity elected as Board Member

Kemal Madenoğlu

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;

- 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,

- 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 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.

- I have necessary educational background, information and experience for fulfilling independent board member duties,

- Pursuant to Income Tax Law No.193 dated by 31.12.1960, I am a resident in Turkey

- 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,

- 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,

- 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.

- I am not registered and announced on behalf of the legal entity elected as Board Member

İbrahim Eren

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;

- 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,

- 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 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.

- I have necessary educational background, information and experience for fulfilling independent board member duties,

- Pursuant to Income Tax Law No.193 dated by 31.12.1960, I am a resident in Turkey

- 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,

- 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,

- 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.

- I am not registered and announced on behalf of the legal entity elected as Board Member

Yiğit Bulut

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;

- 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,

- 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 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.

- I have necessary educational background, information and experience for fulfilling independent board member duties,

- Pursuant to Income Tax Law No.193 dated by 31.12.1960, I am a resident in Turkey

- 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,

- 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,

- 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.

- I am not registered and announced on behalf of the legal entity elected as Board Member

Fahri Kasırga

STATEMENT OF RESPONSIBILITY

FINANCIAL TABLES APPROVED BY THE BOARD OF DIRECTORS
RESOLUTION DATED: 04.02.2015
RESOLUTION NO: 3

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 2014

b) According to information to which we have access as a part of our duties and responsibilities within the Company, the Consolidated Financial Tables 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.

Kind regards,

İbrahim Eren
Audit Committee Chairman

Yiğit Bulut
Audit Committee Member

Rami Aslan
CEO

Murat Kırkgöz
Chief Financial Officer

STATEMENT OF RESPONSIBILITY

ANNUAL REPORT APPROVED BY THE BOARD OF DIRECTORS
RESOLUTION DATED: 27.02.2015
RESOLUTION NO: 20

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 Board of Directors Annual Report for 2014

b) According to information to which we have access as a part of our duties and responsibilities within the Company, 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 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 Eren
Audit Committee Chairman

Yiğit Bulut
Audit Committee Member

Rami Aslan
CEO

Murat Kırkgöz
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

KPMG

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Kavacık Rüzgarlı Bahçe Mah.
Kavak Sok. No: 29
Beykoz 34805 İstanbul

Telephone +90 (216) 681 90 00
Fax +90 (216) 681 90 90
Internet www.kpmg.com.tr

CONVENIENCE TRANSLATION INTO ENGLISH OF THE INDEPENDENT AUDITORS' REPORT RELATED TO ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the Board of Directors of Türk Telekomünikasyon Anonim Şirketi,

Report On The Audit Of Board Of Directors' Annual Report Based On The Standards On Auditing Which Is A Component Of The Turkish Auditing Standards Published By The Public Oversight Accounting And Auditing Standards Authority ("POA")

We have audited the accompanying annual report of Türk Telekomünikasyon Anonim Şirketi ("the Company") and its subsidiaries (collectively referred to as "the Group"), for the year ended 31 December 2014.

Board of Directors' Responsibility for the Annual Report
Pursuant to the article 514 of the Turkish Commercial Code numbered 6102 ("TCC") and Communiqué on the Principles of Financial Reporting In Capital Markets numbered II – 14.1 ("Communiqué"), management is responsible for the preparation of the annual report fairly and consistent with the consolidated financial statements and for such internal control as management determines is necessary to enable the preparation of such annual report.

Auditor's Responsibility
Our responsibility is to express an opinion on the Group's annual report based on our audit in accordance with article 397 of the TCC and Communiqué whether the financial information included in the accompanying annual report is consistent with the audited consolidated financial statements expressed in the auditor's report of the Group dated 4 February 2015 and provides fair presentation.

Our audit has been conducted in accordance with the Standards on Auditing which is a component of the Turkish Auditing Standards ("TAS") published by the POA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information included in the annual report is consistent with the consolidated financial statements and provide fair presentation. An audit also includes performing audit procedures in order to obtain audit evidence about the historical financial information. The procedures selected depend on the auditor's judgment. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial information included in the annual report is consistent, in all material respects, with the audited consolidated financial statements and provides a fair presentation.

Report on Other Regulatory Requirements
In accordance with the third clause of the article 402 of TCC, no material issue has come to our attention that shall be reported about the Group's ability to continue as a going concern in accordance with TAS 570 Going Concern.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative

Murat Alsan, SMMM
Partner
25 February 2015
Istanbul, TURKEY

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

31 DECEMBER 2014 CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

4 February 2015
This report contains 1 pages of "Independent Auditors' Report" and 114 pages of financial statements and explanatory notes.

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KPMG

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
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Internet www.kpmg.com.tr

Convenience Translation of the Independent Auditors' Report Originally Prepared and Issued in Turkish to English

To the Board of Directors of Türk Telekomünikasyon Anonim Şirketi,

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Türk Telekomünikasyon Anonim Şirketi ("the Company") and its subsidiaries (collectively referred to as "the Group") which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statements 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 notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Group management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by the Capital Markets Board of Turkey ("CMB") and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Accounting Standards.

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2013 were audited by another auditor who expressed an unmodified opinion on those statements on 4 February 2014.

Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 4 February 2015.
2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Group's bookkeeping activities, financial statements and group's financial statements for the period 1 January - 31 December 2014 are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.
3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

Akis Bağimsiz Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative

Murat Alsan, SMMM
Partner
4 February 2015
İstanbul, TÜRKİYE

Additional paragraph for convenience translation to English

As explained in note 2.1, 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 and also for certain reclassification requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

(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 FINANCIAL POSITION
AS AT 31 DECEMBER 2014
(Currency in Thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)

	Notes	Current period Audited 31 December 2014	Prior period Audited 31 December 2013
Assets			
Current assets		**6.413.004**	**4.849.061**
Cash and cash equivalents	4	2.538.446	1.004.767
Trade receivables			
- Due from related parties	8	17.757	35.927
- Trade receivables from third parties	*6*	*3.115.181*	*3.091.606*
Other receivables			
- Other receivables from third parties	10	39.948	109.712
Derivative financial instruments	*16*	*74.032*	*275*
Inventories	11	144.182	87.029
Prepaid expenses	14	263.072	246.137
Current tax related assets		6.355	3.614
Other current assets	13	187.664	223.247
		6.386.637	**4.802.314**
Assets held for sale	**18**	**26.367**	**46.747**
Non-current assets		**13.464.783**	**13.395.454**
Financial investments	15	11.840	11.840
Trade receivables			
- Trade receivables from third parties	*6*	*40.113*	*34.275*
Other receivables			
- Other receivables from third parties	*10*	*45.330*	*43.273*
Derivative financial instruments	*16*	*24.395*	*59.786*
Investment property	19	13.547	20.230
Property, plant and equipment	20	8.180.932	8.329.666
Intangible assets			
-Goodwill	*17*	*48.734*	*48.734*
-Other intangible assets	*21*	*4.789.152*	*4.536.495*
Prepaid expenses	*14*	*30.392*	*27.792*
Deferred tax asset	12	259.308	264.503
Other non-current assets	13	21.040	18.860
Total assets		**19.877.787**	**18.244.515**

The accompanying notes 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 FINANCIAL POSITION
AS AT 31 DECEMBER 2014
(Currency in Thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)

	Notes	Current period Audited 31 December 2014	Prior period Audited 31 December 2013
Liabilities			
Current liabilities		4.225.718	5.052.639
Financial liabilities			
- Bank borrowings	*5*	*29.414*	*55.129*
Short term portion of long term financial liabilities			
- Bank borrowings	*5*	*691.154*	*2.195.902*
- Obligations under finance leases	*7*	*12.961*	*9.743*
- Bills, bonds and notes issued	*5*	*4.943*	--
Other financial liabilities			
- Minority put option liability	*9*	*439.664*	--
Trade payables			
- Due to related parties	*8*	*7.888*	*9.881*
- Trade payables to third parties	*6*	*1.541.161*	*1.737.748*
Employee benefit obligations	13	275.767	105.470
Other payables			
- Other payables to third parties	*10*	*463.088*	*459.638*
Derivative financial instruments	16	--	8.670
Deferred revenue	14	110.709	125.930
Income tax payable	32	197.574	55.218
Short term provisions			
-Short term provisions for employee benefits	*22*	*160.050*	*829*
-Other short term provisions	*22*	*241.259*	*233.938*
Other current liabilities	13	50.086	54.543
Non-current liabilities		**9.348.729**	**7.864.267**
Financial liabilities			
- Bank borrowings	*5*	*5.837.599*	*6.055.348*
- Obligations under finance leases	*7*	*6.995*	*17.386*
- Bills, bonds and notes issued	*5*	*2.294.732*	--
Other financial liabilities			
- Minority put option liability	*9*	--	*483.946*
Trade payables			
- Trade payables to third parties	*6*	*613*	--
Other payables			
- Other payables to third parties	*10*	*7.619*	*8.047*
Derivative financial instruments	16	84.592	15.995
Deferred revenue	14	255.555	270.913
Long term provisions			
-Provisions for employee termination benefits	*22*	*555.595*	*585.394*
-Long term provisions for employee benefits excluding employee termination benefits	*22*	*68.907*	*64.378*
-Other long-term provisions	*22*	*7.593*	*8.105*
Deferred tax liability	12	228.929	354.755
Equity		**6.303.340**	**5.327.609**
Total equity attributable to parent			
Paid-in share capital	23	3.500.000	3.500.000
Inflation adjustments to paid in capital (-)	23	(239.752)	(239.752)
Other comprehensive income items not to be reclassified to profit or loss			
-Minority put option liability reserve	*23*	*(227.065)*	*(232.807)*
-Difference arising from the change in shareholding rate in a subsidiary	*23*	*(858.134)*	*(858.134)*
-Actuarial loss arising from employee benefits	*23*	*(382.368)*	*(366.997)*
-Share based payment reserve	*23, 24*	*9.528*	*9.528*
Other comprehensive income items to be reclassified to profit or loss			
-Hedging loss	*23*	*(124.116)*	*(23.570)*
-Foreign currency translation reserve	*23*	*48.703*	*58.105*
Restricted reserves allocated from profits		2.122.798	2.049.085
Retained earnings		446.307	129.106
Net profit for the period		2.007.439	1.303.045
Total liabilities and equity		**19.877.787**	**18.244.515**

The accompanying notes 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 PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2014
(Currency in Thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)

	Notes	Current Period Audited 1 January 2014 –31 December 2014	Prior Period Audited 1 January 2013 - 31 December 2013
Sales	3	13.601.623	13.116.958
Cost of sales (-)	3, 27	(7.030.297)	(6.761.638)
Gross profit		**6.571.326**	**6.355.320**
General administrative expenses (-)	3, 27	(1.833.865)	(1.572.310)
Marketing, sales and distribution expenses (-)	3, 27	(1.843.191)	(1.729.423)
Research and development expenses (-)	3, 27	(66.521)	(38.934)
Other operating income	3, 29	307.224	397.649
Other operating expense (-)	3, 29	(254.692)	(380.756)
Operating profit		**2.880.281**	**3.031.546**
Income from investing activities	3, 30	251.174	225.757
Expense from investing activities (-)	3, 30	(7.631)	(10.903)
Operating profit before financial expenses		**3.123.824**	**3.246.400**
Financial income	31	1.786.215	555.737
Financial expense (-)	31	(2.334.158)	(2.095.554)
Profit before tax		**2.575.881**	**1.706.583**
Tax expense			
- Current tax expense	32	(696.190)	(352.281)
- Deferred tax income/ (expense)	12, 32	89.277	(87.204)
Profit for the year		**1.968.968**	**1.267.098**
Profit attributable to:			
Non-controlling interest	23	**(38.471)**	**(35.947)**
Attributable to equity holders of the parent		**2.007.439**	**1.303.045**
Earnings per shares attributable to equity holders of the parent from (in full Kuruş)	23	**0,5736**	**0,3723**
Earnings per diluted shares attributable to equity holders of the parent from (in full Kuruş)	23	**0,5736**	**0,3723**

The accompanying notes 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 2014
(Currency in Thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)

	Notes	Current Period Audited 1 January 2014 - 31 December 2014	Prior Period Audited 1 January 2013 - 31 December 2013
Profit for the period		**1.968.968**	**1.267.098**
Other comprehensive income items not to be reclassified to profit or loss:			
Actuarial loss from employee benefits	*22*	(19.128)	(32.957)
Tax effect of actuarial loss from employee benefits		3.689	6.686
Other comprehensive income items to be reclassified to profit or loss:			
Change in foreign currency translation differences		(9.402)	26.752
Fair value loss on hedging instruments reclassified to profit or loss	*16*	--	2.201
Cash flow hedges-effective portion of changes in fair value	*16*	(134.168)	91.426
Tax effect of cash flow hedges-effective portion of changes in fair value	*16*	26.835	(18.340)
Hedge of net investment in a foreign operation	*16*	8.484	(50.926)
Tax effect of hedge of net investment in a foreign operation	*16*	(1.697)	10.185
Other comprehensive income, net of tax		**(125.387)**	**35.027**
Total comprehensive income		**1.843.581**	**1.302.125**
Appropriation of total comprehensive income:			
Non-controlling interest		**(38.539)**	**(35.707)**
Attributable to equity holders of the parent		**1.882.120**	**1.337.832**

The accompanying notes 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 2014
(Currency in Thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)

			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 gain/ loss arising from employee benefits	Reserve for hedge of net investment in a foreign operation	Cash flow hedge reserve	Foreign currency translation reserve	Restricted reserves allocated from profits	Retained earnings	Net profit for the period	Total equity attributable to parent	Non-controlling interest	Total equity
Balance at 1 January 2013	**3.500.000**	**(239.752)**	**(180.715)**	**9.528**	**(858.134)**	**(340.679)**	**(29.649)**	**(28.274)**	**31.353**	**1.825.257**	**129.106**	**2.637.107**	**6.455.148**	**–**	**6.455.148**
Net profit for the period	–	–	–	–	–	–	–	–	–	–	–	1.303.045	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 reclassification to minority put option liability	–	–	–	–	–	–	–	–	–	–	–	–	–	286.845	286.845
Minority put option liability (Note 9)	–	–	(52.092)	–	–	–	–	–	–	–	–	–	(52.092)	(251.138)	(303.230)
Dividend paid	–	–	–	–	–	–	–	–	–	–	–	(2.413.279)	(2.413.279)	–	(2.413.279)
Balance 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**
Balance at 1 January 2014	**3.500.000**	**(239.752)**	**(232.807)**	**9.528**	**(858.134)**	**(366.997)**	**(70.390)**	**46.820**	**58.105**	**2.049.085**	**129.106**	**1.303.045**	**5.327.609**	**–**	**5.327.609**
Net profit for the period	–	–	–	–	–	–	–	–	–	–	–	2.007.439	2.007.439	(38.471)	1.968.968
Other comprehensive income/ (loss)	–	–	–	–	–	(15.371)	6.787	(107.333)	(9.402)	–	–	–	(125.319)	(68)	(125.387)
Total comprehensive income	–	–	–	–	–	(15.371)	6.787	(107.333)	(9.402)	–	–	2.007.439	1.882.120	(38.539)	1.843.581
Transfer to retained earnings	–	–	–	–	–	–	–	–	–	73.713	317.201	(390.914)	–	–	–
Non-controlling interest before reclassification to minority put option liability	–	–	–	–	–	–	–	–	–	–	–	–	–	251.138	251.138
Minority put option liability (Note 9)	–	–	5.742	–	–	–	–	–	–	–	–	–	5.742	(212.599)	(206.857)
Dividend paid	–	–	–	–	–	–	–	–	–	–	–	(912.131)	(912.131)	–	(912.131)
Balance at 31 December 2014	**3.500.000**	**(239.752)**	**(227.065)**	**9.528**	**(858.134)**	**(382.368)**	**(63.603)**	**(60.513)**	**48.703**	**2.122.798**	**446.307**	**2.007.439**	**6.303.340**	**–**	**6.303.340**

(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 CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014
(Currency in Thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)

	Notes	Current Period Audited 1 January 2014 -31 December 2014	Prior Period Audited 1 January 2013 – 31 December 2013
Net Profit		**1.968.968**	**1.267.098**
Adjustments to reconcile net profit to cash provided by operating activities:			
Depreciation and amortisation expenses	28	1.952.452	1.779.544
Impairment		49.284	--
Tax expense		606.912	439.485
Gain on sale of property, plant and equipment	30	(243.543)	(214.854)
IFRIC 12 construction (revenue) / cost, net		(41.224)	(53.229)
Interest income and (expense), net		71.266	108.118
Unrealised foreign currency exchange differences		447.983	1.209.988
Reversal of doubtful receivables	6,10	(172.392)	(204.538)
Allowance for doubtful receivables	6,10	372.963	330.644
Provision for employee termination benefits	22	151.378	98.582
Provision for employee benefits	22	160.168	250
Employee benefit obligations		44.205	--
Change in litigation provision, net	22	53.844	57.685
Change in unused vacation provision	22	14.211	(9.397)
Loss on derivative financial instruments, net	22	29.056	33.815
Gain on derivative financial instruments, net		(165.321)	(7.552)
Obsolete inventory provision / (reversal), net		(2.962)	(1.691)
Other provisions		1.798	(2.773)
Operating profit before working capital changes		**5.299.046**	**4.831.175**
Net working capital changes in:			
Adjustments to trade receivables		(211.943)	(593.408)
Other current assets		97.461	127.948
Adjustments to (increase)/decrease in inventories		(54.191)	41.078
Adjustments to increase/(decrese) in trade payables		(169.321)	138.869
Other non-current assets		(6.869)	(2.585)
Other current liabilities and provisions		(23.835)	(90.836)
Other non-current liabilities		(5.598)	(29.373)
Restricted cash		39.735	118.570
Cash flow from operating activities			
Payments of employee termination benefits	22	(67.007)	(295.859)
Payments of provisions	22	(50.623)	(84.060)
Payments of tax		(558.272)	(415.896)
Interest received		147.458	138.637
Net cash provided by operating activities		**4.436.041**	**3.884.260**
Investing activities			
Proceeds from sale of property, plant, equipment and intangible assets		312.000	307.498
Purchases of property, plant, equipment and intangible assets	20,21	(2.169.257)	(2.293.168)
Net cash used in investing activities		**(1.857.257)**	**(1.985.670)**
Cash flows from financing activities			
Proceeds from bank borrowings	6	3.395.017	9.493.282
Repayment of bank borrowings	6	(5.477.794)	(8.498.689)
Bills, bonds and notes issued	6	2.130.293	--
Repayment of obligations under finance leases	6	(9.334)	(7.339)
Interest paid		(281.119)	(270.874)
Dividends paid	23	(912.131)	(2.413.279)
Derivative instrument payments		23.653	(10.098)
Interest received		130.223	48.022
Net cash used in financing activities		**(1.001.192)**	**(1.658.975)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		1.577.592	239.615
FOREIGN EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		(4.179)	10.750
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		697.377	447.012
Cash and cash equivalents at the end of the period	4	**2.270.790**	**697.377**

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

1. REPORTING ENTITY

Türk Telekomünikasyon Anonim Şirketi ("Türk Telekom" or "the Company") is a joint stock company incorporated in Turkey. The Company has its history in the Posthane – i Amirane (Department of Post Office) which was originally established as a Ministry on 23 October 1840. On 4 February 1924, under the Telephone and Telegraph 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 2014 and 31 December 2013, the ultimate parent and controlling party of the Company is Saudi Oger Ltd ("Saudi Oger"), because of its controlling ownership in Oger Telecom.

A concession agreement ("the Concession Agreement") was signed by the Company and Turkish Telecommunication Authority (now named the Information and Communication Technologies Authority ("ICTA") as at 14 November 2005. The Concession Agreement covers the provision of all kinds of telecommunication services, establishment of necessary telecommunications facilities and the use of such facilities by other licensed operators and the marketing and supply of telecommunication services for 25 years starting from 28 February 2001.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.

(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
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014
(Currency in Thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)

1. REPORTING ENTITY (CONTINUED)

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

				Effective ownership of the Company (%)	
Name of Subsidiary	Place of incorporation and operation	Principal activity	Functional Currency	31 December 2014	31 December 2013
TTNet Anonim Şirketi ("TTNet")	Turkey	Internet Service Provider	Turkish Lira	100	100
Avea İletişim Hizmetleri A.Ş.("Avea")	Turkey	GSM Operator	Turkish Lira	89,99	89,99
Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret Anonim Şirketi ("Argela")	Turkey	Telecommunications solutions	Turkish Lira	100	100
Innova Bilişim Çözümleri Anonim Şirketi ("Innova")	Turkey	Telecommunications solutions	Turkish Lira	100	100
Assistt Rehberlik ve Müşteri Hizmetleri Anonim Şirketi ("AssisTT")	Turkey	Call centre and customer relations	Turkish Lira	100	100
Sebit Eğitim ve Bilgi Teknolojileri A.Ş.("Sebit")	Turkey	Web based learning	Turkish Lira	100	100
Argela - USA. Inc.	USA	Telecommunication Solutions	U.S. Dollar	100	100
Sebit LLC	USA	Web Based Learning	U.S. Dollar	100	100
IVEA Software Solutions FZ-LLC ("IVEA")	UAE	Telecommunication Solutions	U.S. Dollar	100	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 Hu Kft ("TTINT Hungary")(*)	Hungary	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
S.C. Euroweb Romania S.A. ("TTINT Romania")(*)	Romania	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International Bulgaria EODD ("TTINT Bulgaria")(*)	Bulgaria	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International CZ s.r.o (TTINT Czech Republic")(*)	Czech Republic	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
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
Türk Telekom International HK Limiited (*)	Hong Kong	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	-
Net Ekran TV ve MedyaHiz. A.Ş. ("Net Ekran 1")	Turkey	Television and radio broadcasting	Turkish Lira	100	-
Net Ekran TV ve MedyaHiz. A.Ş. ("Net Ekran 2")	Turkey	Television and radio broadcasting	Turkish Lira	100	-
Net Ekran TV ve MedyaHiz. A.Ş. ("Net Ekran 3")	Turkey	Television and radio broadcasting	Turkish Lira	100	-
Net Ekran TV ve MedyaHiz. A.Ş. ("Net Ekran 4")	Turkey	Television and radio broadcasting	Turkish Lira	100	-
Net Ekran TV ve MedyaHiz. A.Ş. ("Net Ekran 5")	Turkey	Television and radio broadcasting	Turkish Lira	100	-
Net Ekran TV ve MedyaHiz. A.Ş. ("Net Ekran 6")	Turkey	Television and radio broadcasting	Turkish Lira	100	-
TT Euro Belgium S.A.(*)	Belgium	Mobile service marketing	Euro	100	100
11818 Rehberlik ve Müşteri Hizmetleri A.Ş. ("11818")	Turkey	Call center and customer care	Turkish Lira	100	-
Flexus Mobil Finans ve Dağıtım Telekomünikasyon Hizmetleri A.Ş.	Turkey	Mobile finance	Turkish Lira	100	100

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

1. REPORTING ENTITY (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 2014 and 31 December 2013 have been disclosed in Note 22.

Consolidated financial statements were approved by the Board of Directors of the Company and authorized for issue on 4 February 2015. The general assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

2. BASIS OF PRESENTATION OF 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

a) Preparation of financial statements

The accompanying consolidated financial statements are prepared in accordance with Turkish Accounting Standards ("TAS") issued by Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") as set out in the Communiqué No: II-14.1 announcement of Capital Markets Board ("CMB") dated 13 June 2013 related to "Capital Market Communiqué on Principles Regarding Financial Reporting" ("Communiqué") which is published in official gazette, no 28676. TAS is composed of Turkish Accounting Standards, Turkish Financial Reporting Standards, appendixes and interpretations.

b) Preparation of financial statements

The accompanying consolidated financial statements and notes are presented in accordance with the illustrative financial statements published by CMB on 7 June 20134.

The accompanying consolidated financial statements as of 31 December 2014 are approved by the Company's Board of Directors on 4 February 2015. General Assembly and related legal institutions have the right to correct these financial statements and statutory financial statements.

c) Correction of financial statements during the hyperinflationary periods

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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

d) Basis of measurement
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.

The methods used to measure the fair values are discussed further in Note 2.4 (u).

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

Functional currencies of the subsidiaries are presented in Note 1.

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

Additional paragraph for convenience translation to English:

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

2.2 Basis of consolidation

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

a) Subsidiaries
As at 31 December 2014, the consolidated financial statements include the financial results of Türk Telekom and its subsidiaries that the Group has control over its financial and operational policies which are listed at Note 1.

Control is normally evidenced when the Company controls an investee if and only if the Company has all the following; a) power over the investee b) exposure, or rights, to variable returns from its involvement in the investee and c) the ability to use its power over the investee to affect the amount of company's returns. The results of subsidiaries acquired are included in the consolidated statements of income from the effective date of acquisition as appropriate.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Basis of consolidation (continued)

a) Subsidiaries (continued)

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

b) Business combinations

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

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquirer. The consideration transferred is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, the liabilities incurred by the Group to former owners of the entity and the equity interests issued by the Group. When the agreement with the seller includes a clause that the consideration transferred could be adjusted for future events, the acquisition-date fair value of this contingent consideration is included in the cost of the acquisition. All transaction costs incurred by the Group have been recognized in general administrative expenses. For each business combination, the Group elects whether it measures the non-controlling interest in the acquirer either at fair value or at the proportionate share of the acquirer's identifiable net assets.

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

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

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

c) Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are 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 OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Basis of consolidation (continued)

c) Non-controlling interests (continued)
Changes in shareholding rate that does not change control power of the Company are considered as a transaction between shareholders and 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 in 'short term liabilities', fair value of minority put option is determined and the difference of the non-controlling interest's value 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 9).

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

e) Foreign currency

i) Foreign currency transactions
Transactions in foreign currencies are translated to the functional currencies of the Group entities at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated to the functional currency at the exchange rate ruling at the date. Foreign currency differences arising on translation of foreign currency transactions are recognized in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on qualifying cash flow hedges to the extent the hedge is effective, which are recognized in other comprehensive income.

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Basis of consolidation (continued)

e) Foreign currency (continued)

ii) Foreign operations (continued)

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

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

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

	Average		Period end	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Euro / TL	2,9042	2,5289	2,8207	2,9365
USD / TL	2,1865	1,9032	2,3189	2,1343

iii) Hedge of net investment in a foreign operation

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

2.3 Changes in accounting policies, comparative information and restatement of prior periods' financial statements

Classifications applied to financial statements as of 31 December 2013

The reclassifications that are made at the Group's consolidated balance sheet as at 31 December 2013 are as:

- Cash and cash equivalents related to advances received from the Turkish Armed Forces for Turkish Armed Forces Integrated Communication Systems ("TAFICS") projects amounting to TL 58. 944 is reclassified to other current assets from restiricted cash.
- As of 31 December 2014, management decided that, TT Euro operates as an agent, not a principal and as a result of that, sales and cost of sales of TT Euro amounting to TL 73.008 are netted for the year ended 31 December 2013 in order to disclose financial statement comparetively with 31 December 2014.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies

a) Financial instruments

i) Non-derivative financial assets
The Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

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

The Group classifies non-derivative financial assets into the following categories: loans and receivables and financial investments.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables, receivables from related parties and financial investments.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents comprise cash, cash at banks and other cash and cash equivalents.

Project and reserve accounts are included in other current assets. The use of project and reserve accounts are subjected to the approval of the lender in accordance with the financial contracts.

Accounting for finance income and expenses is discussed in Note 2.4 (p).

Financial investments
As of 31 December 2014 and 2013, 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 2014 and 2013, 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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies

a) Financial instruments (continued)

ii) Non-derivative financial liabilities
The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Non derivative financial liabilities comprise loans, trade and other payables, payables to related parties and other payables. Non derivative financial liabilities are recognized as explained below.

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

Other financial liabilities comprise loans and borrowings, debt securities issued, bank overdrafts, and trade and other payables.

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

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.

iii) Share capital
The ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

a) Financial instruments (continued)

iv) Derivative financial instruments
The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

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 stabilizing 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. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

The derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges
When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedging reserve in equity.

The amount recognized in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

a) Financial instruments (continued)

iv) Derivative financial instruments (continued)

Cash flow hedges (continued)
If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognized in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognized. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss. In other cases the amount recognized in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

b) Property, plant and equipment

i) Recognition and measurement
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.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are calculated as the difference between the net proceeds from disposal and the carrying amount of the item and are recognized net within "other operating income/(expense)" in profit or loss.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

b) Property, plant and equipment (continued)

ii) Subsequent cost
The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in consolidated statement of comprehensive income as incurred.

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

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

Property plant and equipment	Years
Buildings	21-50 years
Outside plant	5-21 years
Transmission equipment	5-21 years
Switching equipment	5-8 years
Data networks	3-10 years
Vehicles	5 years
Furniture and fixtures	3-5 years
Other property, plant and equipment	2-8 years

The remaining useful lives of the PPE of the Company are limited to the concession periods. Considering the Concession Agreement useful lives of purchases made in 2014 are limited to 12 years.

Leased assets are depreciated by the same method used for property and equipment over the shorter of the lease term and their useful lives.

c) Intangible assets

i) Goodwill
Goodwill that arises on the acquisition of subsidiaries is included in intangible assets.

The Group measures goodwill at the acquisition date as:
- The fair value of the consideration transferred; plus
- The recognized amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss. Transactions costs, other than those associated with the issuance of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

c) Intangible assets (continued)

i) Goodwill (continued)

Subsequent measurement
Goodwill is measured at cost less accumulated impairment losses.

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

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

Changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated income statement. The amortization periods for intangible assets are between 3 and 25 years. The remaining useful lives of the intangible items are limited to the concession period. Considering the Concession Agreement, the useful lives of 2014 acquisitions are limited to 12 years.

iii) Research and development
Research costs are expensed as incurred. Development expenditure on an individual project is recognized as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Impairment test is performed periodically in order to identify whether there is any impairment in the development stage. After initial recognition, development costs are recognized at cost less amortization and impairment. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Periodic impairment tests are applied to the assets in order to foresee any probable impairment on the assets in the period that they are not ready for utilization yet.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

d) Investment properties
Investment properties, which are properties held to earn rent and/or for capital appreciation are measured initially at cost plus all direct transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. The Group decided to measure investment property on a deemed cost basis in the first period of application of TAS 29, since detailed records of the acquisition date and costs of items of investment property were not available prior to 1 January 2000 and restated these deemed cost basis for the effects of inflation until 31 December 2004.

Investment properties are transferred from/to property, plant and equipment when their utilization purpose is changed. When investment properties are disposed, the difference between sales revenue and the carrying amount is charged to the consolidated income statement.

Market values of the investment properties at 1 January 2000 were determined by CMB licensed independent real-estate appraisers. Following initial recognition, investment properties are carried at costs less any accumulated amortization and any accumulated impairment losses.

Depreciation is charged to investment properties excluding land, over their estimated useful economic lives, using the straight-line method. The useful lives of buildings that are owned by the Group range between 15 - 50 years (considering the Concession Agreement, 2014 acquisitions' useful lives are limited to 12 years).

e) Assets held for sale
The Group classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or the group of assets held for sale) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable management must be committed to a plan to sell the asset (or the group of assets held for sale) and an active program to set the buyers and complete the plan must have been initiated. Furthermore, the asset (or the group of assets held for sale) must be actively marketed for sale at a price that is reasonable in relation to its fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

e) Assets held for sale (continued)
In case the period to complete sale of assets is extended due to circumstances which are not under the control of the Group, the assets will continue to be classified as assets held for sale provided that the Group has still an active sales program.

The Group measures assets held for sale at the lower of its carrying amount and fair value less costs to sell. The Group does not depreciate a non-current asset when it is classified as held for sale and the gain or loss arising from the sale of the assets is classified at income / expense from investing activities accounts.

f) Leased assets

i) The Group as lessor
Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease in the consolidated statement of income. 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.

ii) 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 included 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.

g) Inventory
Inventories are recognized at the lower of cost and net realizable value. Costs comprise purchase cost and, where applicable and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

h) Impairment

i) 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 the date of the reversal 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.

ii) Non-financial assets

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.

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

h) Impairment (continued)

ii) Non-financial assets (continued)

Goodwill
Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Whenever the carrying amount exceeds the recoverable amount, an impairment loss is recognized in the consolidated income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the acquisition, irrespective of whether other assets or liabilities are assigned to these units or groups of units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

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

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

For defined benefit plans and other long-term employment benefits, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. The 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.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

j) Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

k) Contingent assets and liabilities

Possible assets or obligations that arise from past events and for which their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not entirely within the control of the Group are treated as contingent assets or liabilities.

A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. If the possibility of transfer of assets is probable, contingent liability is recognized in the financial statements.

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

l) Related parties

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.
- (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).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

m) Revenue

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of the goods and services can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

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.

i) Fixed-line revenues

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

ii) 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.

iii) Equipment sale 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 consideration related to the bundled contract is allocated to the different components if the component has standalone value to the customer and the fair value of the component can be measured reliably. Total consideration is allocated to each component in proportion to the fair value of the individual components. 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 recognized as expense when related revenue is recognized.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

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

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

o) Financial income and financial costs
Finance income is comprised of interest income, foreign exchange gain, dividend income, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs are comprised of interest expense on borrowings, transaction costs, coupon payments of bond, impairment losses recognized on financial assets (except for trade receivables) and losses on hedging instruments that are recognized in the profit or loss. Borrowing costs that cannot be matched with acquisition, construction or production of an asset are recognized in profit or loss by using effective interest rate.

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

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

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

i) Current tax
Current tax is comprised of the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Prepaid corporation taxes and corporate tax liabilities are offset when they relate to income taxes levied by the same taxation authority.

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the consolidated financial statements, have been calculated on a separate-entity basis.

ii) Deferred tax
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

r) Taxes (continued)

ii) Deferred tax (continued)
Deferred tax is not recognized for:
• Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and loss;
• Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group's able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
• Taxable temporary differences arising on the initial recognition of goodwill.
The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The Company and the other consolidated subsidiaries have reflected their deferred tax asset and liabilities by netting their individual balances; however, there is no netting on a consolidation basis. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized.

Deferred tax assets are recognized for unused tax loses, unused tax credits an deductible temporary differences to the extent that it is possible that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

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

s) Subscriber acquisition costs
The Group recognizes subscriber acquisition costs in the consolidated income statement during the year they are incurred. Subscriber acquisition costs include subsidization of the handset, taxes on subscription and dealer commissions incurred for acquisitions.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

t) Segment reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's board of directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

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

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

iii) Bills, bonds and notes issued
The fair values of bills, bonds and notes issued are determined with reference to their quoted price at the measurement date. Subsequent to initial recognition, the fair values of bills, bonds and notes issued are determined for disclosure purposes only.

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

v) Standards effective from 2014 and standards and interpretations issued but not yet effective

The new standards, amendments and interpretations
The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2014 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2014. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

v) Standards effective from 2014 and standards and interpretations issued but not yet effective (continued)

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

Investment Entities (Amendments to TFRS 10, TFRS 12 and TAS 27)
TFRS 10 is amended for entities that meet the definition of an investment entity to qualify for the consolidation exception. According to the amendment, financial assets of an investment entity should be measured at fair value under TFRS 9 Financial Instruments, or to the extent possible under TMS 39 Financial Instruments: Recognition and Measurement. The amendments had no significant impact on the financial position or performance of the Group.

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

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

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

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

TFRIC Interpretation 21 Levies
The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The Interpretation had no significant impact on the financial position or performance of the Group.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

v) Standards effective from 2014 and standards and interpretations issued but not yet effective (continued)

Defined Benefit Plans: Employee Contributions (Amendments to TAS 19)
The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. When contributions are eligible for the practical expedient, a company is permitted (but not required) to recognize them as a reduction of the service cost in the period in which the related service is rendered. The amendment is effective for annual periods beginning on or after 1 July 2014. Early application is permitted. The amendments had no significant impact on the financial position or performance of the Group.

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

Annual Improvements to TFRSs – 2010–2012 Cycle

TFRS 2 Share-based Payment:
Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendments had no significant impact on the financial position or performance of the Group.

TFRS 3 Business Combinations
Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of TFRS 9 Financial Instruments. The amendments had no significant impact on the financial position or performance of the Group.

TFRS 8 Operating Segments
The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments had no significant impact on the financial position or performance of the Group.

TFRS 13 Fair Value Measurement Decision Requirements
As clarified in the Basis for Conclusions, short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendments had no significant impact on the financial position or performance of the Group.

TAS 16 Property, Plant and Equipment and TAS 38 Intangible Assets
The amendment to TAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows: i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the carrying amount equals to the market value. The amendments had no significant impact on the financial position or performance of the Group.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

v) Standards effective from 2014 and standards and interpretations issued but not yet effective (continued)

TAS 24 Related Party Disclosures
The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendments had no significant impact on the financial position or performance of the Group.

Annual Improvements to TFRSs – 2011–2013 Cycle
TFRS 1 First Time Adoption of International Financial Reporting Standards

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

TFRS 1 First Time Adoption of International Financial Reporting Standards
The amendment clarifies that in its first TFRS financial statements, a first-time adopter is permitted but not required to apply a new or revised TFRS that is not yet mandatory but is available for early application.

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

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

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

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

v) Standards effective from 2014 and standards and interpretations issued but not yet effective (continued)

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

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

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

Amendments to TFRS 11 – Accounting for acquisition of interests in joint operations
The amendments clarify whether TFRS 3 Business Combinations applies when an entity acquires an interest in a joint operation that meets that standard's definition of a business. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

v) Standards effective from 2014 and standards and interpretations issued but not yet effective (continued)

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

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

IFRS 14 Regulatory Deferral Accounts
IASB has started a comprehensive project for Rate Regulated Activities in 2012. As part of the project, IASB published an interim standard to ease the transition to IFRS for rate regulated entities. The standard permits first time adopters of IFRS to continue using previous GAAP to account for regulatory deferral account balances. The interim standard is effective for financial reporting periods beginning on or after 1 January 2016, although early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

IFRS 15 Revenue from Contracts with customers
The standard is the result of a joint project and IASB and FASB which replaces existing IFRS and US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted under IFRS. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

Sale or contribution of assets between an investor and its associate or joint venture (Amendments to TFRS 10 and TAS 28)
The amendments address the conflict between the existing guidance on consolidation and equity accounting. The amendments require the full gain to be recognized when the assets transferred meet the definition of a "business" under TFRS 3 Business Combinations. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

Equity method in separate financial statements (Amendments to TAS 27)
The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

v) Standards effective from 2014 and standards and interpretations issued but not yet effective (continued)

Disclosure Initiative (Amendments to TAS 1)
The narrow-focus amendments to TAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing TAS 1 requirements. In most cases the amendments respond to overly prescriptive interpretations of the wording in TAS 1. The amendments relate to the following: materiality, order of the notes, subtotals, accounting policies and disaggregation.

The amendments apply for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

Improvements to IFRSs
The IASB issued Annual Improvements to IFRSs - 2012–2014 Cycle. The amendments are effective as of 1 January 2016. Earlier application is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

Annual Improvements to IFRSs – 2012–2014 Cycle

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendments clarify the requirements of IFRS 5 when an entity changes the method of disposal of an asset (or disposal group) and no longer meets the criteria to be classified as held-for-distribution.

IFRS 7 Financial Instruments: Disclosures
IFRS 7 is amended to clarify when servicing arrangement are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that the additional disclosures required by Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7).

IAS 19 Employee Benefits
IAS 19 has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

IAS 34 Interim Financial Reporting
IAS 34 has been amended to clarify that certain disclosure, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report" – i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

v) Standards effective from 2014 and standards and interpretations issued but not yet effective (continued)

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

2013-1 Financial Statement Examples and User Guide
The POA promulgated "financial statement examples and user guide" on May 20, 2013 in order to ensure the uniformity of financial statements and facilitate their audit. The financial statement examples within this framework were published to serve as an example to financial statements to be prepared by companies obliged to apply Turkish Accounting Standards, excluding financial institutions established to engage in banking, insurance, private pensions or capital market. The Group has made the classification stated in Note 2.2 in order to comply with the requirements of this regulation.

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. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.5 Significant accounting assessments, estimates and assumptions

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

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

ii) Minority Put Option Liability: On valuing the minority put option liability; the Group expects that the put option will be exercisable at 31 December 2015.

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

- Group, has no inventory risk.
- Group has no responsibility on technical qualifications of equipment delivered to customers and responsibility after sale belongs to supplier.
- Group does not make any modification on the equipment.
- Group shares credit risk with the supplier.
- Group earns either a fixed rate of commission or zero profit on the transaction.

iv) *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 a gross basis.

v) 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 acts as an agent since it has no control over price , nor risk on stock . However, the collection risk of handset principal amount is on Avea and the distributors collect this amount from Avea on monthly basis. Apart from the GSM revenues, since customer base and sales channels are made available to the distributors, Avea charges a commission to those distributors. This commission income is classified under other revenues and it is recognized when the handset is delivered to the customer.

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

Critical judgments of the management in relation with IFRIC 12 are explained in "key sources of estimation uncertainty" in IFRIC 12 section.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.5 Significant accounting assessments, estimates and assumptions (continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

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 17).

b) The estimates used by the Group in the application of IFRIC 12 are as follows:

i) The Company assesses that approximately 30% of the foreseen network investments related to the replacement of the network equipment which are reclassified to intangible assets and which are then recognized in the financial statements as intangible assets are the contractual replacements as required by the concession agreement. The Group has provided a provision amounting to TL 7.593 (31 December 2013 - TL 8.104) (Note 22-d) in the consolidated financial statements for the foreseen contractual replacements in the future. Aforementioned provision is the present value of the contractual replacement expenses as at 31 December 2014 that will be realized in the future. Discount rate used in the provision calculation is determined as 13,5% (31 December 2013: 12,84%).

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% (31 December 2013: 13%) for the year ended as of 31 December 2014. The profit margin of property, plant and equipment accounted within the scope of IFRIC 12 amounting to TL 358.329 (31 December 2013: TL 462,681) (Note 21) is TL 41.224 for the year ended as of 31 December 2014 (31 December 2013: TL 53.229).

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 2013: 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 12).

d) Assumptions used in the impairment test of property, plant and equipment and intangible assets have been explained in Note 17.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.5 Significant accounting assessments, estimates and assumptions (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.

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 benefits. This evaluation is driven by the Group's previous experience on similar assets. The Group also considers useful life of the asset from technical and commercial perspectives due to changes and developments in market in order to assess whether additional impairment is required or not.

g) There are other estimations made by the management during the determination of useful lives and provisions for litigations (Note 25).

h) The Group calculates market value of minority share put opinion liability as of 31 December 2015, based on discounted cash flow method. Value of the liability is determined as of 31 December 2015 and discounted to 31 December 2014 (The details have been explained in Note 9).

3. SEGMENT REPORTING

The Group has two main segments: Fixed line and GSM. Fixed line services are provided by Türk Telekom, TTNet, Argela, Innova, Sebit, 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:

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

3. SEGMENT REPORTING (CONTINUED)

	Fixed Line		Mobile		Intra-group eliminations		Consolidated	
	1 January - 31 December 2014	1 January - 31 December 2013	1 January - 31 December 2014	1 January - 31 December 2013	1 January - 31 December 2014	1 January - 31 December 2013	1 January - 31 December 2014	1 January - 31 December 2013
Revenue								
GSM	-	-	4.312.489	3.838.112	-	-	4.312.489	3.838.112
ADSL	3.649.651	3.363.836	-	-	-	-	3.649.651	3.363.836
Domestic PSTN	3.029.600	3.375.801	-	-	-	-	3.029.600	3.375.801
Data service and leased line revenue	1.163.386	1.009.482	-	-	-	-	1.163.386	1.009.482
International revenue	522.015	480.355	-	-	-	-	522.015	480.355
IFRIC12 revenue	358.329	462.681	-	-	-	-	358.329	462.681
Domestic interconnection revenue	359.046	350.142	-	-	-	-	359.046	350.142
Rental income from GSM operators	86.780	83.107	-	-	-	-	86.780	83.107
Other	581.606	589.570	-	-	-	-	581.606	589.570
Eliminations	-	-	-	-	(461.279)	(436.128)	(461.279)	(436.128)
Total revenue	**9.750.413**	**9.714.974**	**4.312.489**	**3.838.112**	**(461.279)**	**(436.128)**	**13.601.623**	**13.116.958**
Cost of sales and operating expenses (excluding depreciation and amortization)	(5.620.261)	(5.515.757)	(3.618.844)	(3.245.851)	466.967	438.847	(8.772.138)	(8.322.761)
Other income/(expense) and income/(expense) from investing activities	279.440	247.490	19.570	(12.209)	(2.935)	(3.534)	296.075	231.747
Depreciation and amortization	(1.156.013)	(1.059.551)	(796.469)	(721.947)	30	1.954	(1.952.452)	(1.779.544)
Impairment on tangible and intangible assets	(49.284)	-	-	-	-	-	(49.284)	-
EBITDA	4.349.724	4.402.866	696.123	584.304	734	(816)	5.046.581	4.986.354
Doubtful receivable provision expense	(119.131)	(50.080)	(81.440)	(76.026)	-	-	(200.571)	(126.106)
Capital expenditure (*)	1.361.739	1.496.001	782.530	711.376	1.430	(1.901)	2.145.699	2.205.476
Contribution to the consolidated revenue (**)	9.382.431	9.388.011	4.219.192	3.728.947	-	-	13.601.623	13.116.958
Contribution to the consolidated EBITDA (***)	4.109.145	4.201.000	937.436	785.354	-	-	5.046.581	4.986.354

(*) Capital expenditures do not include TL 41.224 (2013: TL 53.229) 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

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

3. SEGMENT REPORTING (CONTINUED)

	1 January – 31 December 2014	1 January – 31 December 2013
Fixed line segment EBITDA	4.349.724	4.402.866
GSM segment EBITDA	696.123	584.304
Inter-segment eliminations	734	(816)
Consolidated EBITDA	**5.046.581**	**4.986.354**
Foreign exchange gains, interest income, discount income on current accounts presented in other operating income	214.734	264.326
Foreign exchange losses, interest expense, discount expense on current accounts presented in other operating expense (-)	(135.755)	(224.736)
Financial income	1.786.215	555.737
Financial expenses (-)	(2.334.158)	(2.095.554)
Depreciation, amortisation and impairment	(2.001.736)	(1.779.544)
Consolidated profit before tax	**2.575.881**	**1.706.583**

31 December 2014	Fixed Line	Mobile	Eliminations	Other unallocated amounts [(*)]	Consolidated
Total segment assets	16.031.406	5.511.679	(1.665.298)	-	**19.877.787**
Total segment liabilities	(11.449.888)	(3.356.732)	1.671.837	(439.664)	**(13.574.447)**

31 December 2013	Fixed Line	Mobile	Eliminations	Other unallocated amounts [(*)]	Consolidated
Total segment assets	14.788.426	5.422.895	(1.966.806)	-	**18.244.515**
Total segment liabilities	(11.521.606)	(2.882.688)	1.971.334	(483.946)	**(12.916.906)**

[(*)] Includes minority put option liability amounting to TL 439.664 (31 December 2013: TL 483.946).

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

4. CASH AND CASH EQUIVALENTS

	31 December 2014	31 December 2013
Cash on hand	447	854
Cash at banks – Demand Deposit	358.367	385.302
Cash at banks – Time Deposit	2.176.019	608.933
Other	3.613	9.678
	2.538.446	**1.004.767**

As of 31 December 2014, time deposits are all short-term, maturing within one month and denominated in both foreign currencies and TL. The interest rates are between 6,00% -11,90% for TL deposits, between 0,15% - 2,50% for US Dollar deposits and between 0,10% - 2,15% for Euro deposits. (31 December 2013: for TL deposits between 3,75% and 9,75%, for US Dollar deposits between 0,35% and 3,25%, for Euro deposits between 0,75% and 3,25%).

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

	31 December 2014	31 December 2013
Cash and cash equivalents	2.538.446	1.004.767
Less: restricted amounts		
- Collection protocols	(262.296)	(280.189)
- ATM collection	(3.206)	(8.661)
- Other	(2.154)	(18.540)
Unrestricted cash	**2.270.790**	**697.377**

As of 31 December 2014, demand deposits amounting to TL 262.296 (31 December 2013: TL 280.189) 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. An additional amount of TL 3.206 arising from collections through automated teller machine ("ATM") is not available for use at 31 December 2014 (31 December 2013: TL 8.661).

As of 31 December 2014, the Group has bank loans amounting to USD 45.893 which have been committed banks and not utilized yet, having maturity date 29 April 2016 (2013: EUR 109.424 and US Dollar 711.365).

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

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

5. FINANCIAL LIABILITIES

i) Bank borrowings

	31 December 2014			31 December 2013		
	Weighted average nominal interest rate (%)	Original amount	TL equivalent	Weighted average nominal interest rate (%)	Original amount	TL equivalent
Short-term borrowings:						
TL bank borrowings with fixed interest rates	11,85	28.503	28.503	3,63	54.573	54.573
Interest accruals:						
TL bank borrowings with fixed interest rates		911	911		556	556
Short-term borrowings			**29.414**			**55.129**
Short-term portion of long-term bank borrowings:						
USD bank borrowings with fixed interest rates	3,04	46.731	108.365	3,10	61.404	131.055
USD bank borrowings with variable interest rates (*)	2,95	151.006	350.168	3,08	350.771	748.651
Euro bank borrowings with variable interest rates (**)	1,89	72.952	205.773	2,47	424.456	1.246.415
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		830	1.925		943	2.013
USD bank borrowings with variable interest rates (*)		8.652	20.063		9.805	20.927
Euro bank borrowings with variable interest rates (**)		1.723	4.860		4.530	13.302
JPY bank borrowings with variable interest rates (***)		-	-		735	15
Short-term portion of long-term bank borrowings			**691.154**			**2.195.902**
Total short-term borrowings			**720.568**			**2.251.031**
Long-term borrowings:						
TL bank borrowings with fixed interest rates	11,84	24.003	24.003	-	-	-
USD bank borrowings with fixed interest rates	3,04	160.751	372.765	3,10	231.545	494.187
USD bank borrowings with variable interest rates (*)	2,95	1.566.958	3.610.430	3,08	1.487.391	3.174.539
Euro bank borrowings with variable interest rates (**)	1,89	648.916	1.830.401	2,47	789.909	2.319.575
JPY bank borrowings with variable interest rates (***)	-	-	-	2,65	3.314.094	67.047
Total long-term borrowings			**5.837.599**			**6.055.348**
Total financial liabilities			**6.558.167**			**8.306.379**

(*) As at 31 December 2014, Libor rate varies between between 0,80% and 3,40% (31 December 2013: 0,80% and 3,40%)
(**) As at 31 December 2014, Euribor varies between between 0,25% and 3,00% (31 December 2013: 0,25% and 3,25%)
(***) As of 31 December 2013 JPY was 2.5%.

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

5. FINANCIAL LIABILITIES (CONTINUED)

i) Bank borrowings (continued)

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

	31 December 2014					31 December 2013				
	Up to 3 moths	3 months to 1 year	1 year to 5 years	More than 5 years	Total	Up to 3 moths	3 months to 1 year	1 year to 5 years	More than 5 years	Total
TL bank borrowings with fixed interest rates	-	29.414	24.003	-	53.417	38.144	16.985	-	-	55.129
USD bank borrowings with fixed interest rates	6.265	104.025	361.818	10.947	483.055	5.926	127.142	452.601	41.586	627.255
USD bank borrowings with variable interest rates	110.080	260.151	2.622.615	987.815	3.980.661	325.372	444.206	2.338.038	836.501	3.944.117
Euro bank borrowings with variable interest rates	7.867	202.766	1.403.911	426.490	2.041.034	330.059	929.658	2.003.870	315.705	3.579.292
JPY bank borrowings with variable interest rates	-	-	-	-	-	15	33.524	67.047	-	100.586
	124.212	**596.356**	**4.412.347**	**1.425.252**	**6.558.167**	**699.516**	**1.551.515**	**4.861.556**	**1.193.792**	**8.306.379**

The re-pricing or the earlier contractual maturities of bank borrowings in equivalent of TL are as follows:

	31 December 2014					31 December 2013				
	Up to 3 moths	3 months to 1 year	1 year to 5 years	More than 5 years	Total	Up to 3 moths	3 months to 1 year	1 year to 5 years	More than 5 years	Total
TL bank borrowings with fixed interest rates	-	29.411	24.003	-	53.414	38.144	16.985	-	-	55.129
US bank borrowings with fixed interest rates	6.265	104.025	361.818	10.947	483.055	5.926	127.142	452.601	41.586	627.255
US bank borrowings with variable interest rates	1.989.166	1.463.200	377.167	151.128	3.980.661	1.860.417	1.351.551	584.448	147.701	3.944.117
Euro bank borrowings with variable interest rates	295.514	1.373.729	265.434	106.360	2.041.037	1.801.161	1.778.131	-	-	3.579.292
JPY bank borrowings with variable interest rates	-	-	-	-	-	100.586	-	-	-	100.586
	2.290.945	**2.970.365**	**1.028.422**	**268.435**	**6.558.167**	**3.806.234**	**3.273.809**	**1.037.049**	**189.287**	**8.306.379**

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

5. FINANCIAL LIABILITIES (CONTINUED)

ii) Bill, bonds and notes issued

	31 December 2014			31 December 2013		
	Weighted average nominal interest rate (%)	**Original amount**	**TL equivalent**	**Weighted average nominal interest rate (%)**	**Original amount**	**TL equivalent**
Bills, bonds and notes issued:						
USD bank borrowings with fixed interest rates	4,54	2.132	4.943		-	-
Short-term bills, bonds and notes issued		**2.132**	**4.943**		**-**	**-**
Long-term bills, bonds and notes issued:						
USD bank borrowings with fixed interest rates	4,54	989.578	2.294.732		-	-
Total long-term bills, bonds and notes issued		**989.578**	**2.294.732**		**-**	**-**
Total financial liabilities		**991.710**	**2.299.675**		**-**	**-**

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

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

As of 31 December 2014, maturity period of accrued interests of the long term bonds amounting to TL 4.943 is between 3 to 6 months. Maturity period 5 years and over 5 years are; TL 1.149.957 and TL 1.144.775, respectively. The principal of bills, bonds and notes issued by the Group as at the year ended 31 December 2014 amounts to TL 2.130.293 (31 December 2013: nil).

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

6. TRADE RECEIVABLES AND PAYABLES FROM THIRD PARTIES

a) Trade receivables

	31 December 2014	31 December 2013
Short-term		
Trade receivables	4.308.489	4.010.368
Other trade receivables	92.683	68.757
Income accruals	446.502	545.468
Allowance for doubtful receivables (-)	(1.732.493)	(1.532.987)
Total short-term trade receivables	**3.115.181**	**3.091.606**
Long-term		
Trade receivables	40.113	34.275
Total long-term trade receivables	**40.113**	**34.275**

Trade receivables generally have a maturity term of 30 days on average (2013: 30 days).

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

	1 January 2014 - 31 December 2014	1 January 2013 - 31 December 2013
At January 1	(1.532.987)	(1.397.913)
Provision for the year	(372.181)	(329.387)
Reversal of provision - collections	171.619	192.141
Write off of doubtful receivables	904	2.344
Change in currency translation differences	152	(172)
At 31 December	**(1.732.493)**	**(1.532.987)**

The Group waits up to 90 days before initiating legal action for overdue receivables. Based on its previous collection performance from overdue receivables, the Company expects to make significant collections from overdue receivables. As of 31 December 2014 and 2013, 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 2014	**3.155.294**	2.215.446	273.435	117.343	68.512	77.805	162.108	240.645
31 December 2013	**3.125.881**	2.048.236	201.826	211.024	105.557	77.995	199.192	282.051

Receivables guaranteed of the Group are amounting to TL 25.331 (31 December 2013: TL 22.760).

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

6. TRADE RECEIVABLES AND PAYABLES FROM THIRD PARTIES (CONTINUED)

b) Trade payables

	31 December 2014	31 December 2013
Short-term		
Trade payables	1.238.250	1.406.103
Expense accruals	293.695	318.401
Other trade payables	9.216	13.244
Total short-term trade payables	**1.541.161**	**1.737.748**
Long-term		
Trade payables	613	-
Total long-term trade payables	**613**	**-**

Trade payables amounting to TL 598 as at 31 December 2014 (31 December 2013: TL 16.480) represent payable to suppliers due to TAFICS projects (Note 13).

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

As of 31 December 2014, 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.

7. RECEIVABLES AND OBLIGATIONS UNDER FINANCE AND OPERATIONAL LEASES

Financial leases:

The Group has no financial lease receivables as of 31 December 2014 and 2013.

Finance lease obligations that the Group has entered into for acquisition of network equipment, vehicle and a building are as follows:

	31 December 2014			31 December 2013		
	Future minimum lease payments	Interest	Present Value of minimum lease payments	Future minimum lease payments	Interest	Present Value of minimum lease payments
Within one year	13.660	699	12.961	10.924	1.181	9.743
Between one to two years	7.139	144	6.995	11.225	658	10.567
Between two to five years	-	-	-	6.975	156	6.819
	20.799	**843**	**19.956**	**29.124**	**1.995**	**27.129**

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

7. RECEIVABLES AND OBLIGATIONS UNDER FINANCE AND OPERATIONAL LEASES (CONTINUED)

Operational 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 The 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 8).

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 2014 (*)	31 December 2013 (*)
Within one year	20.458	63.566
In the second to fifth years (inclusive)	4.326	21.670
After fifth year	-	1.876
	24.784	**87.112**

(*) 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 2014 is TL 413.284 (2013: TL 424.507).

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 2014 amounts to TL 275.287 (31 December 2013: TL 265.474).

A summary of commitments in relation to base station leases and leased lines are as follows:

	31 December 2014	31 December 2013
Within one year	110.316	70.715
Between two and five years	322.034	221.383
Later than five years	41.690	38.252
	474.040	**330.350**

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

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

8. 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 provided by the TAS 24 disclosure requirements, state controlled entities are excluded from general reporting requirements.

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

	31 December 2014	31 December 2013
Due from related parties		
Parent company		
Saudi Telecom Company ("STC") (2)	16.602	34.260
Other related parties		
Oger Telekom Yönetim Hizmetleri Limited Şirketi ("OTYH") (1)	37	189
Cell C Ltd. (1)	-	304
Oger Systems Company Ltd. (1)	1.118	978
Other	-	196
	17.757	**35.927**
Due to related parties		
Parent company		
STC (2)	650	1.656
Other related parties		
OTYH (1)	7.154	8.012
Oger Systems Company Ltd. (1)	-	213
Oger Telecom Ltd.	67	-
Cell C Ltd. (1)	17	-
	7.888	**9.881**

(1) A subsidiary of Oger Telecom
(2) Shareholder of Oger Telecom

Transactions with shareholders:
During the year ended 31 December 2014, the Company made dividend payment to the Treasury amounting to gross TL 288.966 (31 December 2013: TL 764.535). The dividend payment to OTAŞ amounts to gross TL 501.672 (31 December 201: TL 1.327.304).

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

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

8. DUE FROM AND DUE TO RELATED PARTIES - NET

Transactions with shareholders: (continued)

As of 31 December 2014, unpaid portion of Treasury Share, universal service fund and ICTA share are recorded under other short term payables (Note 10) and these expenses are accounted in cost of sales account.

Transactions with other related parties:

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

Operational lease payments made to PTT by the Company as part of the lease agreement amounts to TL 68.227 in 2014 (31 December 2013: TL 61.621).

The Company is rendering and receiving international traffic carriage services, data line rent services to and from STC and sharing advertisement expenses with STC. For the year ended 31 December 2014, total revenues and expenses incurred in relation to these services amounted to TL 29.162 and TL 697, respectively (2013: TL 10.744 revenues and TL 782 expenses)

Compensation of key management personnel

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

	1 January - 31 December 2014	1 January - 31 December 2013
Short-term benefits	**96.243**	**81.739**
Wages	31.087	29.194
Bonus and attendance fees	34.440	33.554
Post employment benefits to key management	30.716	18.991
Long-term defined benefit plans	**1.936**	**1.894**
Social Security Institution premiums	1.936	1.894
	98.179	**83.633**

Furthermore, OTMSC charged to the Company a consultancy fee amounting to TL 29.697 (2013: TL 23.706), and an expense fee amounting to TL 210 (2013: TL 238) for the year ended 31 December 2014 based on the contract between OTMSC 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.

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

9. 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 within 9 months starting from the first demand.

c) Within one month following the execution of an IPO, via any of the methods described in sections a and b above, 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 2014, it is assumed that İş Bankası Group would exercise the option on 31 December 2015. The Company has estimated the value of the put option based on discounted cash flows after 31 December 2015. The value determined as at 31 December 2015 is then discounted back to 31 December 2014. The fair value of the put option liability as at 31 December 2014 amounts to TL 439.664 (2013 – TL 483.946). In accordance with Group's accounting policies, the change in fair value of the minority put option liability between 31 December 2014 and 2013 is accounted in minority put option liability reserve in 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 2014, amounting to negative TL 212.599 (31 December 2013: TL 251.138), is reclassified from equity to "minority put option liability" under short-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 439.664 (31 December 2013: TL: 483.946), and the difference of TL 227.065 (31 December 2013: TL 232.807) is reflected in equity as "minority put option liability reserve", based on the Group's accounting policy for the acquisition of minority interest (Note 23).

The value of minority put option liability is calculated on the basis of discounted cash flows after 31 December 2015. 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 16% and 16,5% for non-taxable period. The valuation is tested at a sensitivity of +0,5% / -0,5%. The values that averaged according to 31 December 2015 have been discounted again to 31 December 2014 (Note 33).

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

10. OTHER RECEIVABLES AND PAYABLES

Other current assets

	31 December 2014	31 December 2013
Other current assets	39.733	109.222
Deposits and guarantees given	215	490
Other doubtful receivables	23.896	23.887
Allowance for other doubtful receivables	(23.896)	(23.887)
	39.948	**109.712**

As of 31 December 2014, TL 21.680 (2013: TL 44.215) portion of other short term receivables consists of receivables from Ministry of Transport, Maritime Affairs and Communications due to the expenses made under Universal Service Fund.

For the year ended 31 December 2014, other doubtful provision amounting to TL 781 (2013: TL 1.257) is provided while TL 772 (2013: TL 11.242) is reversed.

Other non-current assets

	31 December 2014	31 December 2013
Deposits and guarantees given	30.194	31.638
Other receivables	15.136	11.635
	45.330	**43.273**

Other current liabilities

	31 December 2014	31 December 2013
Taxes and duties payable	186.881	215.065
ICTA shares	70.872	54.506
Treasury share accruals	70.973	56.005
Universal Services Fund (1)	115.263	111.330
Deposits and guarantees received	2.251	2.803
Other payables	16.848	19.929
	463.088	**459.638**

(1) According to the article numbered 5369 related with "International Service Fund" published on 16 June 2005, Türk Telekom, TTNet and 11818 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.

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

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

10. OTHER RECEIVABLES AND PAYABLES (CONTINUED)

Other non-current liabilities

	31 December 2014	31 December 2013
Deposits and guarantees received	7.619	7.897
Other payables	--	150
	7.619	**8.047**

11. INVENTORIES

The Group has inventories amounting to TL 144.182 as at 31 December 2014 (31 December 2013: TL 87.029). Major part of this balance is comprised of modems, computers, tablets, dect phones, cable box, SIM cards and consumables such as linkage blocks.

12.cDEFERRED TAX ASSETS AND LIABILITIES

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.

As of 31 December 2014, deferred tax assets arising from prior year tax losses of TTINT Group is amounting to TL 9.631 (31 December 2013: TL 37.262). 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 2014	31 December 2013
2021	1.585	449
Indefinite	167.116	106.136
	168.701	**106.585**

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

12. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

As of 31 December 2014, the deferred tax asset recognized for Avea's carried forward tax losses amounted to TL 238.500 (31 December 2013: 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 2014	31 December 2013
2014	-	1.183.769
2015	952.038	952.038
2016	1.020.604	849.197
2017	373.949	-
2018	-	254.043
2019	295.926	-
	2.642.517	**3.239.047**

As of 31 December 2014, as explained Note 32, Avea has investment allowances amounting to TL 68.974 for which deferred tax asset is not recognized (31 December 2013: TL 64.510).

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
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(Currency in Thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)

12. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

As at 31 December 2014 and 2013, 20% tax rate is used for the calculation of deferred tax assets and liabilities for companies established in Turkey.

Deferred tax asset / liability	Base for deferred tax calculation 31 December 2014	Deferred tax assets / (liabilities) 31 December 2014	Base for deferred tax calculation 31 December 2013	Deferred tax assets / (liabilities) 31 December 2013
Temporary differences on property, plant and equipment	(1.684.642)	(414.228)	(2.098.954)	(428.535)
Income accruals	(121.702)	(24.340)	(307.961)	(61.592)
Lawsuit fees recognized as receivables	(15.072)	(3.014)	(15.072)	(3.014)
Fixed assets renovation fund	(103.199)	(20.640)	(164.938)	(32.988)
Other	(35.534)	(3.538)	(155.569)	(31.141)
	(1.960.149)	(465.760)	(2.742.494)	(557.270)
Deferred tax asset recognized from tax losses carried forward	1.208.310	248.131	1.347.760	275.762
Provision for long-term employee benefits	539.095	107.932	571.391	114.297
Provision for unused vacation	59.012	11.802	55.189	11.047
Other short and long term provisions	435.426	92.283	96.340	19.097
Provision for doubtful receivables	24.122	4.933	21.570	4.519
Universal service fund and other contributions	152.835	30.567	137.762	27.552
Other	2.445	491	73.013	14.744
	2.421.245	**496.139**	**2.303.025**	**467.018**
Deferred tax liability, net		**30.379**		**(90.252)**
Deferred tax asset, net		**259.308**		**264.503**
Deferred tax liability, net		**(228.929)**		**(354.755)**

As of 31 December 2014, the total amount of current or deferred taxes related to transactions recognized directly in equity is TL 104.092 (2013: TL 95.235)

As of 31 December 2014, the total amount of the Group's unrecognised deferred tax asset related to subsidiaries is TL 1.259.618 (2013: TL 1.721.968)

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

12. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Deferred tax income / (expense)	1 January 2014 – 31 December 2014	1 January 2013 – 31 December 2013
Provision for long-term employee benefits	(10.054)	(40.023)
Temporary differences of property, plant and equipment	14.181	(6.324)
Universal service fund and other contributions	3.015	(810)
Other short and long term provisions	73.337	(1.500)
Provision for unused vacation	755	(5.209)
Tax losses carried forward	(27.631)	1.895
Fixed assets renovation fund	12.348	(10.879)
Provision for doubtful receivables	414	(20.460)
Income accruals	37.026	(1.565)
Currency translation differences	(829)	(879)
Other	(13.285)	(1.450)
Deferred tax (expense) / income	**89.277**	**(87.204)**

Movement of deferred tax liability	31 December 2014	31 December 2013
Opening balance, 1 January	(354.753)	(254.802)
Recognized directly in other comprehensive income:		
Actuarial loss arising from employee benefits	3.689	6.686
Hedge of net investment in a foreign operation	26.835	(18.340)
Recognized in period profit or loss	94.472	(89.176)
Foreign currency translation differences	828	879
Balance at 31 December 2014	**(228.929)**	**(354.753)**

Movement of deferred tax asset	31 December 2014	31 December 2013
Opening balance, 1 January	264.503	262.531
Charged to period profit or loss	(5.195)	1.972
Balance at 31 December 2014	**259.308**	**264.503**

	31 December 2014	31 December 2013
Charged to period profit or loss:		
- Deferred tax liability (expense) / income	94.472	(89.176)
- Deferred tax asset income / (expense)	(5.915)	1.972
Deferred tax income (Note 32)	**89.277**	**(87.204)**

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

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

13. OTHER ASSETS, LIABILITIES AND EMPLOYEE BENEFIT OBLIGATIONS

Other current assets

	31 December 2014	31 December 2013
Intermediary services for collection (*)	95.180	86.350
TAFICS projects	44.793	58.944
Value Added Tax and Special Communication Tax	27.477	29.228
Advances given (**)	18.144	41.896
Other current assets	2.070	6.829
	187.664	**223.247**

(*) Intermediary services for collections consist of advances given by Avea to its distributors.
(**) Advances given mainly consists of advances given to suppliers.

Other non-current assets

	31 December 2014	31 December 2013
Intermediary services for collection	21.037	18.858
Other non-current assets	3	2
	21.040	**18.860**

Intermediary services for collection consists of advances given by Avea to its distributors.

Other current liabilities

	31 December 2014	31 December 2013
Advances received	42.731	40.727
Other liabilities	7.355	13.816
	50.086	**54.543**

The Company acts as an intermediary of Turkish Armed Forces for Turkish Armed Forces Integrated Communication Systems ("TAFICS") 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.

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

13. OTHER ASSETS, LIABILITIES AND EMPLOYEE BENEFIT OBLIGATIONS (CONTUNUED)

Employee benefit obligations

	31 December 2014	31 December 2013
Payables to personnel	196.783	21.568
Employee's income tax payables	37.417	42.714
Social security premiums payable	41.567	41.188
	275.767	**105.470**

14. PREPAID EXPENSES AND DEFERRED REVENUES

Short-term prepaid expenses

	31 December 2014	31 December 2013
Prepaid rent expenses	123.960	107.858
Other prepaid expenses	137.910	125.889
Advances for inventories and fixed assets	1.202	12.390
	263.072	**246.137**

Other short term prepaid expenses consist of prepaid insurance, prepaid commissions, prepaid advertising and other prepaid expenses.

Long-term prepaid expenses

	31 December 2014	31 December 2013
Prepaid rent expenses	22.593	11.268
Other prepaid expenses	7.799	16.524
	30.392	**27.792**

Short-term deferred revenues

	31 December 2014	31 December 2013
Deferred revenues (*)	85.443	82.627
Advances received (**)	25.266	43.303
	110.709	**125.930**

(*) Deferred revenues mainly consists of the invoiced but unconsumed minutes' sales value.
(**) Advances taken mainly results from the advances taken by the Company and Avea from the customers.

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

14. PREPAID EXPENSES AND DEFERRED REVENUES (CONTINUED)

Long-term deferred revenues

	31 December 2014	31 December 2013
Deferred revenues (*)	175.123	180.620
Advances received (**)	80.432	90.293
	255.555	**270.913**

(*) Deferred revenues mainly result from TTINT's indefeasible right of use contracts.
(**) Advances taken mainly result from the advances taken by TTINT's according for indefeasible right of use contracts.

15. FINANCIAL INVESTMENTS

	31 December 2014	31 December 2013
Cetel	11.840	11.840
	11.840	**11.840**

Cetel was incorporated as a special purpose entity for the purpose of acquiring the 76% shares of Albtelecom Sh.A which is located in Albania and operates in telecommunication industry.

As of 31 December 2014 and 2013, 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.

16. OTHER FINANCIAL INVESTMENTS AND OTHER FINANCIAL LIABILITIES

Cash flow hedges and derivative financial instruments

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

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

As of 31 December 2014 fair value of derivative transactions amounting to TL 84.592 has been recognised under long term financial liabilities (31 December 2013: TL 1.536 current liabilities, TL 58.950 non-current asset). Unrealised loss on these derivatives amounting to TL 133.058 (31 December 2013: TL 90.590 gain) is recognised in other comprehensive income. Unrealised loss on these derivatives' time value amounting to TL 8.948 is recognised in statement of profit or loss.

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

16. 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 December 2014 (TL)
Türk Telekom	400.000	11 April 2012 – 30 April 2012	21 March 2022	Pay fixed rates between March 2014 and March 2022, and receive floating rates	(31.826)
Türk Telekom	150.000	8 April 2013 – 15 April 2013	21 August 2023	Pay fixed rates between 19 August 2015 and 21 August 2023, and receive floating rates	(1.881)
Türk Telekom	50.000	17 April 2013	21 August 2023	Pay fixed rates between 19 August 2015 and 21 August 2023, and receive floating rates	(498)
Türk Telekom	300.000	29 April - 20 May 2014	19 June 2024	Pay fixed rates between June 2014 and June 2024, and receive floating rates	(40.556)
Türk Telekom	150.000	15 - 16 May 2014	20 June 2023	Pay floating price between May 2014 August 2024 and receive fixed premiumin certain interest rate corridors through interest option strategies (%0,24-0,27)	(9.831)
					(84.592)

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

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

16. OTHER FINANCIAL INVESTMENTS AND OTHER FINANCIAL LIABILITIES (CONTINUED)

Foreign exchange hedge

The Company had entered into nine-part JPY forward transactions as at 31 December 2013 with a maturity date on 25 September 2015 with a total notional amount of JPY 5.000.000. However, the Company paid the loan related with the JPY forward transactions before the due date and unwinded the forward transactions on 16-17 December 2014 before its maturity date.

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

Hedge of net investment in a foreign operation

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

Other derivative instruments which are not designated as hedge

As of 31 December 2014 fair value of the ineffective portion of the interest rate swap transactions and time value amounting to TL 24.395 is recognised under long term financial assets (31 December 2013: TL 11.766 liabilities). Unrealised gain on these derivatives amounting to TL 36.160 (31 December 2013: TL 14.922 loss) is recognised in profit or loss.

Company	Notional Amount (USD Dollar)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 December 2014 (TL)
Türk Telekom	400.000	11 April 2012 – 30 April 2012	21 March 2022	Pay the difference between floating rate and 6% if floating rate exceeds 6%, between 19 March 2014 and 21 March 2022, and receive fixed premium (0,24%-0,27%)	10.172
Türk Telekom	200.000	8 April 2013 – 17 April 2013	21 August 2023	Pay the difference between floating rate and 6% if floating rate exceeds 6%, between 21 August 2015 and 21 August 2023, and receive fixed premium (0,24%-0,27%)	3.282
Türk Telekom	200.000	29 April – 20 May 2014	19 August 2024	Pay the difference between floating rate and 4% if floating rate exceeds 4%, between August 2016 and August 2021, and receive fixed premium (0,44%-0,575%) Pay the difference between floating rate and 6% if floating rate exceeds 6%, between August 2021 and August 2024, and receive fixed premium (0,39%-0,45%)	10.941
					24.395

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

16. OTHER FINANCIAL INVESTMENTS AND OTHER FINANCIAL LIABILITIES (CONTINUED)

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

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

The Company has also entered into sixteen-part copper option transactions between 21 August and 27 November 2013 with a maturity date on 5 January 2015 and a total notional amount of 1.000 tonnes (31 December 2013: 12.800 tonnes). As of 31 December 2014, fair value of derivative transactions amounting to TL 65 is recognised under short term financial assets (31 December 2013: TL 7.134 current liabilities, TL 4.229 non-current liabilities). Gain on these derivatives amounting to TL 11.428 is recognised in the consolidated statement of profit or loss.

Company	Notional Amount (tonnes)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 December 2014 (TL)
Türk Telekom	1.000	21 August 2013- 27 November 2013	31 December 2014 - 5 January 2015	Pay floating price between June 2014 and January 2015 and receive fixed price.	65
					65

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

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

16. OTHER FINANCIAL INVESTMENTS AND OTHER FINANCIAL LIABILITIES (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 December 2013 (TL)
Türk Telekom	10.100	21 August 2013 - 19 November 2013	30 June 2014	Pay floating price at 30 June 2014 and receive fixed price.	(7.134)
Türk Telekom	2.700	19 November 2013 - 27 November 2013	1-5 January 2015	Pay floating price on January 2015 and receive fixed price.	(4.229)
					-
					(11.363)

The Company has also entered into two-part EUR forward transactions at 11 September 2014 with a maturity date on 19 June 2019 with a total notional amount of USD 500.000. As of 31 December 2014, fair value of derivative transactions amounting to TL 73.967 is recognized under short term financial assets. Unrealized gain on these derivatives amounting to TL 73.967 is recognized in profit or loss.

Company	Notional Amount (USD)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 December 2014 (TL)
Türk Telekom	500.000	11 September 2014	19 June 2019	Buy USD at June 2019 and sell EUR	73.967
					73.967

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17. GOODWILL

	31 December 2014	31 December 2013
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**

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

Türk Telekom and TTNET cash generating unit impairment analysis
For cash generating unit impairment analysis of Türk Telekom and TTNET, total assets and liabilities are considered as one cash generating unit. Recoverable amount is calculated through 5 years business plan which is approved by the management.

The main assumptions used in the discounted cash flow in TL which was prepared based on the approved budgeted figures prepared until 2019 considers 13,5% discount rate, 1% expected growth rate and the weighted average cost of capital (WACC) sensitivity as 0,5% (31 December 2013: +%1/-%1). For 2019 - 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.

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 based on 5 years business plan which is approved by the management.

Discount rate used for the discount of cash flows for the periods that Avea will pay income tax is 16% and 16,5% for non-taxable period. Cash flow projections after 2019 are estimated by using 3% growth rate, considering the inflation rate used in the business plan and expected growth rate of the country. Company value of Avea has been tested at a sensitivity of WACC terminal growth rate by +0,5%/-0,5% (31 December 2013: +%1-%1). As a result of the impairment test, it has been noted that there is no impairment is identified on goodwill arising on the Avea acquisition.

Innova and Argela cash generating unit impairment test
Innova and Argela, are both considered as single cash generating unit and are tested for impairment of for goodwill and all of their other assets. Recoverable amount was determined through the usage value which is calculated based on the 5 years business plan approved by the management. The estimated value of the projected cash flows consists of the discounted cash flows until 2019. Cash flow projections beyond 2019 are estimated by using 3% and 2% growth rate, for Innova and Argela, respectively, considering the inflation rate used in the business plan and expected growth rate of the country. The WACC rates used in valuation are 18,5% for Innova (31 December 2013: 18,5%) and 21,5% for Argela (31 December 2013: 18,5%) and valuation has been tested at a sensitivity of +0,5%/-0,5%. Growth rate has been tested for sensitivity for +0,5%/ -0,5%. For the WACC calculation, technology companies have been taken as a benchmark for the calculation of the beta coefficient. As a result of the impairment test, no impairment is identified for the cash generating units and the goodwill arising from the acquisition of Argela and Innova.

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17. GOODWILL (CONTINUED)

TTINT cash generating unit impairment test

TTINT cash generating unit recoverable amount is determined over the usage value which had been calculated based on the 5 years business plan approved by the management. The estimated value of the projected cash flows consists of the discounted cash flows until 2019. The WACC rate used in valuation is 7,5% (31 December 2013: %8,5) and valuation is tested at a sensitivity of +0,5%/-0,5%. In addition to this, gross profit margin rate, capex/net sales ratio and growth rate is tested for sensitivity by +%1/-%1, +0,5%/-0,5% and +0,25%/ -0,25%, respectively. For the WACC calculation, telecommunication companies are considered as a benchmark for the calculation of the beta coefficient.

Sebit cash generating unit impairment test

In cash generating unit impairment analysis for Sebit, total assets and liabilities were considered as one cash generating unit. Recoverable amount was determined through the usage value which had been calculated based on the five years business plan approved by the management. The discount ratio used for the cash flows is 16,3% (2013: 17,2%). The estimated value of the cash flows consists of the ones which were discounted until 2019. 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 +%0,1/-%0,1 WACC and growth rate sensitivity of the cash flows (31 December 2013: +%2/-%2). As a result of impairment analysis, TL 5.726 amounted impairment determined in intangible assets (Note 21) (31 December 2013: nil).

18. NON-CURRENT ASSETS HELD FOR SALE

Board of Directors of the Group decided to dispose 107 pieces of real estate. Active selling activities continue for the sale of these assets and sale is expected to be completed 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 2014 – 31 December 2014	**1 January 2013 – 31 December 2013**
Opening balance	46.747	21.945
Disposals	(27.915)	(7.575)
Transfers	7.535	32.377
31 December closing balance	**26.367**	**46.747**

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19. INVESTMENT PROPERTY

The movement of investment property and the related accumulated depreciation for the years ended 31 December 2014 and 2013 is given below:

	1 January 2014 – 31 December 2014	1 January 2013 – 31 December 2013
Cost		
Opening balance	29.393	41.155
Transfer to assets held for sale	(7.902)	(11.762)
31 December closing balance	**21.491**	**29.393**
Accumulated depreciation		
Opening	9.163	10.525
Transfer to assets held for sale	(2.071)	(2.873)
Depreciation charge for the year	852	1.511
31 December closing balance	**7.944**	**9.163**
Net book value as at 31 December	**13.547**	**20.230**

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. In this context, fair values of the investment properties as of the balance sheet date are not presented.

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20. PROPERTY, PLANT AND EQUIPMENT

The movement of PPE and the related accumulated depreciation for the years ended 31 December 2014 and 2013 is presented below:

	Land and buildings	Network and other equipment	Vehicles	Furniture and fixtures	Other fixed assets	Construction in progress	Total
Cost							
Opening balance, 1 January 2014	2.101.938	38.275.552	150.825	507.403	328.474	756.278	**42.120.470**
Transfers	32.957	472.358	939	136.505	(112.262)	(625.574)	**(95.077)**
Additions	30.848	603.444	1.361	48.827	20.745	559.586	**1.264.811**
Disposals	(5.594)	(470.210)	(4.936)	(5.263)	(7.139)	-	**(493.142)**
Foreign currency translation differences	(426)	(23.988)	(194)	(124)	30	(939)	**(25.641)**
Closing balance, 31 December 2014	**2.159.723**	**38.857.156**	**147.995**	**687.348**	**229.848**	**689.351**	**42.771.421**
Accumulated depreciation							
Opening balance, 1 January 2014	911.461	32.134.636	135.013	353.636	256.058	-	**33.790.804**
Transfers	100	(3.851)	88	114.306	(116.692)	-	**(6.049)**
Depreciation charge for the year	84.502	1.053.844	4.556	59.251	27.261	-	**1.229.414**
Disposals	(2.919)	(443.629)	(4.753)	(3.363)	(5.335)	-	**(459.999)**
Impairment	-	43.558	-	-	-	-	**43.558**
Foreign currency translation differences	(85)	(7.119)	(84)	(66)	115	-	**(7.239)**
Closing balance, 31 December 2014	**993.059**	**32.777.439**	**134.820**	**523.764**	**161.407**	**-**	**34.590.489**
Net book value as at 31 December 2014	**1.166.664**	**6.079.717**	**13.175**	**163.584**	**68.441**	**689.351**	**8.180.932**

As of 31 December 2014, net book value of leased assets of Group composes of land and buildings amounting TL 35.610, network and other equipment amounting to TL 102 and vehicles amounting to TL 319 (31 December 2013: land and buildings amounting to TL 34.893, network and other equipment amounting to TL 430 and vehicles amounting to TL 380).

The Group does not have any capitalized borrowing cost on property, plant and equipment (31 December 2013: nil).

There is no restriction or pledge on the intangible as at 31 December 2014.

For the year ended 31 December 2014, impairment on property,plant and equipment amounting to TL 43.558 is recognized in cost of sales (2013: nil).

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20. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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)
Foreign currency translation differences	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
Transfers	(15.788)	(5.287)	(288)	(1.646)	1.493	-	(21.516)
Depreciation charge for the year	94.704	1.001.472	6.093	66.249	23.258	-	1.191.776
Disposals	(5.752)	(673.891)	(3.995)	(5.177)	(1.871)	-	(690.686)
Foreign currency translation differences	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**
Net book value as at 31 December 2013	**1.190.477**	**6.140.916**	**15.812**	**153.767**	**72.416**	**756.278**	**8.329.666**

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21. INTANGIBLE ASSETS

	Licence	Customer relationships	Brand	Research and Development	Other intangible assets	Concession rights	Total
Cost							
Opening balance, 1 January 2014	1.478.244	1.020.255	302.540	187.012	2.486.684	2.155.945	7.630.680
Transfers	10	633	358	7.915	70.714	-	79.630
Disposals	-	-	-	-	(8.293)	-	(8.293)
Additions (*)	227	-	-	48.034	515.522	358.329	922.112
Foreign currency translation differences	(158)	(4.261)	-	155	(10.263)	-	(14.527)
Closing balance, 31 December 2014	**1.478.323**	**1.016.627**	**302.898**	**243.116**	**3.054.364**	**2.514.274**	**8.609.602**
Accumulated amortization							
Opening balance, 1 January 2014	491.896	669.271	113.800	60.047	1.411.065	348.106	3.094.185
Disposals	-	-	-	-	(894)	-	(894)
Transfers	-	633	113	(6.942)	6.527	-	331
Amortization charge for the year	75.731	94.587	15.631	31.593	392.233	118.823	728.598
Impairment	-	-	-	-	5.726	-	5.726
Foreign currency translation differences	(109)	(1.115)	-	155	(6.427)	-	(7.496)
Closing balance, 31 December 2014	**567.518**	**763.376**	**129.544**	**84.853**	**1.808.230**	**466.929**	**3.820.450**
Net book value as at 31 December 2014	**910.805**	**253.251**	**173.354**	**158.263**	**1.246.134**	**2.047.345**	**4.789.152**

(*) Additions amounting to TL 358.329 (2013: TL 462.681) comprise intangible assets under scope of IFRIC 12.

The Group does not have any capitalized borrowing cost on intangible asset (2013: nil).

For the year ended 31 December 2014, impairment on intangible assets amounting to TL 5.726 is recognized in cost of sales (2013: nil).

For the year ended 31 December 2014, depreciation and amortization expense is recognized cost of sales, sales and distribution expenses, general administration expenses and research and development expenses amounting to TL 1.457.659 (2013: TL 1.342.794), TL 167.603 (2013: TL 144.392) and TL 318.198 (2013: TL 283.568), TL 8.992 (2013: 8.791) respectively.

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21. INTANGIBLE ASSETS (CONTINUED)

	Licence	Customer relationships	Brand	Research and Development	Other intangible assets	Concession rights	Total
Cost							
Opening balance, 1 January 2013	1.478.133	998.739	302.540	137.742	1.929.345	1.693.264	6.539.763
Transfers	73	-	-	3.681	48.093	-	51.847
Disposals	-	-	-	-	(1.153)	-	(1.153)
Additions	14	-	-	45.293	462.597	462.681	970.585
Foreign currency translation differences	24	21.516	-	296	47.802	-	69.638
Closing balance, 31 December 2013	**1.478.244**	**1.020.255**	**302.540**	**187.012**	**2.486.684**	**2.155.945**	**7.630.680**
Accumulated amortization							
Opening balance, 1 January 2013	416.145	571.149	98.193	33.762	1.105.444	264.819	2.489.513
Disposals	-	-	-	-	(186)	-	(186)
Transfers	-	-	-	-	1.517	-	1.517
Amortization charge for the year	75.754	93.902	15.607	25.989	295.387	83.287	589.926
Foreign currency translation differences	(3)	4.220	-	296	8.902	-	13.415
Closing balance, 31 December 2013	**491.896**	**669.271**	**113.800**	**60.047**	**1.411.065**	**348.106**	**3.094.185**
Net book value as at 31 December 2013	**986.348**	**350.984**	**188.740**	**126.965**	**1.075.619**	**1.807.839**	**4.536.495**

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21. INTANGIBLE ASSETS (CONTINUED)

As a result of impairment tests, the Group identified impairment on tangible ans intangible assets amounting to TL 43.558 and TL 5.726, respectively (2013: nil).

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

Avea license	11,1 years
Avea customer relationships	1,8 years
Avea brand name	11,1 years
TTINT customer relationships	10,8 years
TTINT other	15,8 years

There is no restriction or pledge on the intangible as at 31 December 2014.

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.

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

The net book value of the 3G license as at 31 December 2014 is TL 343.962 (31 December 2013: TL 367.685).

GSM 900 additional frequency band tender

The tender for the reallocation of unused 900 MHz Frequency Bands is held on 20 June 2008 and Avea has 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.

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 2014 is TL 7.841 (31 December 2013: TL 8.549).

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22. PROVISIONS

a) Short term provisions

The breakdown of provisions as at 31 December 2014 and 2013 is as follows:

	31 December 2014	31 December 2013
Litigation, ICTA penalty and customer return provisions	241.259	233.938
	241.259	**233.938**

The movement of provisions is as follows:

	31 December 2014	31 December 2013
Provisions at 1 January	**233.938**	**241.013**
Provision for the period	93.160	87.980
Settled provisions	(46.179)	(66.120)
Reversals	(39.316)	(30.295)
Foreign currency translation difference	(344)	1.360
Provisions at 31 December	**241.259**	**233.938**

Detailed explanation related with litigation is given in Note 25.

b) Short-term provisions for employee benefits

	31 December 2014	31 December 2013
Short term provisions for employee benefits		
Personnel bonus provision	160.050	829
	160.050	**829**

The movement of provisions is as follows:

	31 December 2014	31 December 2013
Provisions at 1 January	**829**	**91.021**
Provision for the period	279.724	1.818
Payment	(119.771)	(90.769)
Reversals	(614)	(1.568)
Foreign currency translation difference	(118)	327
Provisions at 31 December	**160.050**	**829**

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22. PROVISIONS (CONTINUED)

c) Long term employee benefits excluding defined benefit obligation

	31 December 2014	31 December 2013
Long term provisions for employee benefits		
Unused vacation provisions	68.907	64.378
	68.907	**64.378**

The movement of provisions is as follows:

	1 January – 31 December 2014	1 January – 31 December 2013
As of January 1	**64.378**	**91.435**
Provision for the period	68.634	60.828
Provisions paid	(4.444)	(17.940)
Transfer – employee benefit obligations (Note 13)	(5.148)	-
Reversals	(54.423)	(70.225)
Foreign currency translation difference	(90)	280
Liabilities as at 31 December	**68.907**	**64.378**

d) Other long-term provisions

	31 December 2014	31 December 2013
Provision for the investments under the scope of IFRIC 12	7.593	8.105
	7.593	**8.105**

e) Defined benefit obligation

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

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

The average number of personnel subject to collective agreement as at 31 December 2014 is 13.280 (31 December 2013: 13.515) and the average number of personnel not subject to collective agreement as at 31 December 2014 is 21.075 (31 December 2013: 21.286). The number of personnel as at 31 December 2014 and 2013 are 34.389 and 34.478, respectively.

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

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22. PROVISIONS (CONTINUED)

e) Defined benefit obligation (continued)

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

	1 January – 31 December 2014	1 January – 31 December 2013
Defined benefit obligation at January 1	585.394	749.489
Current service cost	94.877	48.719
Interest cost (Note 29)	56.501	49.863
Actuarial loss (*)	19.128	32.957
Benefits paid	(67.007)	(295.859)
Transfer – employee benefit obligations (**)	(133.232)	-
Foreign currency translation difference	(66)	225
Liabilities as at 31 December	**555.595**	**585.394**

(*) As at 31 December 2014, actuarial loss amounting to TL 19.128 (2013: TL 32.957) is recognized in other comprehensive income.
(**) Represents retirement payable within the scope of employee termination incentive program.

ii) Total expense recognized in the consolidated income statement:

	1 January – 31 December 2014	1 January – 31 December 2013
Current service cost	94.877	48.719
Interest cost (Note 29)	56.501	49.863
Total net cost recognized in the consolidated statement of income	**151.378**	**98.582**

iii) Principal actuarial assumptions used:

	31 December 2014	31 December 2013
Discount rate	9.3%	9.0%
Expected rate of ceiling increases	5.5%	5.0%

For the years ahead, voluntary employee withdrawal of the Group changes from 0,60% and 14,90% depending on age. (2013: 0,62% - 18,25%)

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22. PROVISIONS (CONTINUED)

e) Defined benefit obligation (continued)

iii) Principal actuarial assumptions used (continued):

As of 31 December 2014, sensitivity analysis is performed for the significant assumptions of defined benefit obligation:

	Discount Rate		Maaş Artış Oranı		İşten Gönüllü Ayrılma Oranı	
Sensitivity Level	**%0,25 decrease (%9,05)**	**%0,25 increase (%9,55)**	**%0,25 decrease (%5,25)**	**%0,25 increase (%5,75)**	**%0,25 decrease**	**%0,25 increase**
Net effect on defined benefit obligation	8.530	(8.255)	(8.584)	8.803	3.574	(3.422)

23. PAID IN CAPITAL, RESERVES AND RETAINED EARNINGS

As of 31 December 2014 and 2013, the shareholders of the Company with their shareholding percentage are as follows:

	31 December 2014		31 December 2013	
	%	**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. OTAŞ 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. Any proposed amendments to the Company's 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 can not be realized without affirmative vote of the Golden Share at either a meeting of the board of directors or the general assembly. The holder of the Golden Share, the Treasury, has one member, representing the Golden Share, among the board of directors.

As of 31 December 2014, 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 acting on the name and behalf of the creditors of certain loan agreements.

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

OTAŞ term loan agreements provide 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 consists of 12 directors.

The board of directors shall be composed of 12 members nominated by OTAŞ and Treasury 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 as mentioned in paragraph (a) above 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 of directors meeting shall be seven of the directors provided that there shall be at least one director nominated by the holder of the group A shares and one director nominated 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 super majority vote.

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

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

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 of directors that the distribution is materially prejudicial to the interests of any Group Company (as defined in the articles of association of the Company) having regard to: (i) implementation of the investment program approved by the board of directors in the business plan or the budget; or (ii) the trading prospects of the Group Companies (as defined in the articles of association of the Company) and the need to maintain the sound financial standing of the Group Companies.

In accordance with the Turkish Commercial Code, companies are required to assign legal reserves before profit appropriations. The legal reserve consists of first and second legal reserves, allocated in accordance with the Turkish Commercial Code. The first legal reserve is allocated out of last period's statutory profits at the rate of 5% per annum until the total reserve reaches 1/5 of the paid-in share capital (not indexed to the inflation). The second legal reserve is allocated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. The Company's 2014 consolidated net income has been compared with its statutory net income and TL 2.007.439 was determined as an amount available for dividend distribution.

Dividends
During the year ended 31 December 2014, TL 912.131 has been committed to be distributed and distributed in cash to the shareholders from the remaining balance of 2013 distributable profit after assigning first and second legal reserves (a dividend of full kuruş 0,2606 per share).

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.

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

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

Other reserves

The amounts transferred directly to equity, instead of income statement as of the balance sheet date are as follows:

	31 December 2014	31 December 2013
Minority put option liability reserve (Note 9)	(227.065)	(232.807)
Share based payment reserve (Note 24)	9.528	9.528
Difference arising from acquisition of subsidiary	(858.134)	(858.134)
Reserve for hedge of net investment in a foreign operation	(63.603)	(70.388)
Cash flow hedge reserve	(60.513)	46.818
Actuarial loss arising from employee	(382.368)	(366.997)
Currency translation differences	48.703	58.105
	(1.533.452)	**(1.413.875)**

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 new 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 16)

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 16)

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

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

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

Minority interest

The minority interest represents 10,01% shareholding of İş Bank Group in Avea as at 31 December 2014. As of 31 December 2014, minority interests are classified to other 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 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
Reclassification to other non-current liabilities (Note 9)	(251.138)
As of 31 December 2013	-
Reclassification to minority interest	251.138
Share of loss generated between 1 January 2014 and 31 December 2014	(38.471)
Minority share in actuarial gain / (loss) recognized under equity	(68)
Reclassification to other current liabilities (Note 9)	(212.599)
As of 31 December 2014	-

Information regarding Avea's nature of operations, place of establishment and rates of non-controlling interests is disclosed in Note 1.

The total assets, liabilities and equity of Avea as of 31 December 2014 and 2013 and summary statement of profit and loss and cash flow statements for the years then ended are as follows:

	31 December 2014	**31 December 2013**
Current assets	1.411.418	1.308.862
Non-current assets	4.070.566	4.084.339
Total Assets	**5.481.984**	**5.393.201**
Current liabilities	1.751.819	1.642.908
Non-current liabilities	1.604.913	1.239.780
Equity	2.125.252	2.510.513
Total liabilities & equity	**5.481.984**	**5.393.201**

	1 January – 31 December 2014	**1 January – 31 December 2013**
Revenue	4.312.489	3.838.112
Operating expenses	(4.395.743)	(3.980.007)
EBITDA	**696.123**	**584.304**

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

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

Minority interest (continued)

	1 January – 31 December 2014	1 January – 31 December 2013
Net cash provided by operating activities	469.193	706.375
Net cash used in financing activities	262.141	(203.396)
Net cash used in investing activities	(756.274)	(672.299)
Net increase/ (decrease) in cash and cash equivalents	(24.940)	(169.320)

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 2014	1 January – 31 December 2013
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	2.007.439	1.303.045
Basic and earnings per share (in full kuruş)	0,5736	0,3723

24. SHARE BASED PAYMENT

According to the Turkish Council of Ministers decision dated 12 December 2007, which was published in the Turkish Official Gazette on 26 December 2007, 52.500.000.000 (45%) shares of Türk Telekom owned by the Treasury, the minority shareholder of Türk Telekom, has been sold as at 15 May 2008, through an initial public offering ("IPO") (such shares correspondence to corresponding to 15% Türk Telekom's shares). During the IPO, 12.299.160.300 of such shares have been allocated to the employees of Türk Telekom, PTT and small investors together with 5.220.503.800 shares allocated to domestic investors with high purchasing power with discounted price varying according to the payment terms and application date (compared to the price applied to the other corporate investors for the remaining shares of 34.980.335.900. The discounts provided to Türk Telekom employees have been considered as within the scope of IFRS 2 ("Share Based Payment") by the management of Türk Telekom considering the fact that Türk Telekom receives services from its employees. The Group has reflected the fair value of the discounts provided to Türk Telekom employees, amounting to TL 9.528, as an expense in the consolidated statement of profit or loss for year ended 31 December 2008 and credited the same amount into the equity as a share based payment reserve.

The 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

(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
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014
(Currency in Thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)

24. SHARE BASED PAYMENT (CONTINUED)

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 to these groups 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 amounted to approximately TL 34.000 in 2008, at the year of the transaction.

25. COMMITMENTS AND CONTINGENCIES

Guarantees received and given by the Group are summarized below:

		31 December 2014		31 December 2013	
		Original currency	**TL**	**Original currency**	**TL**
Guarantees received	**USD**	198.592	460.515	216.791	462.697
	TL	791.582	791.582	703.026	703.026
	Euro	7.130	20.111	100.158	294.114
	Sterlin	-	-	8	28
			1.272.208		**1.459.865**
Guarantees given (*)	**USD**	158.138	366.707	164.232	350.520
	TL	152.767	152.767	144.141	144.141
	Euro	182.217	513.980	19.822	58.207
	AED	100	61	-	-
	Other	20	13	41	27
Total			**1.033.528**		**552.895**

(*) Guarantees given amounting to US Dollar 151.500 (31 December 2013: US Dollar 151.500) is related to the guarantee provided to the ICTA by Avea with respect to the Avea Concession Agreement and guarantees given amounting to Euro 12.840 (31 December 2013: Euro 12.840) is related with the guarantee provided for 3G license.

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

25. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

GPMs given by the Company	31 December 2014	31 December 2013
A.GPMs given on behalf of the Company's legal personality	1.033.528	552.696
B.GPMs given in favor of subsidiaries included in full consolidation	909.929	136.160
C.GPMs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business (*)	838.067	279.546
D.Other GPMs	-	23.492
i. GPMs given in favor of parent company	-	-
ii. GPMs given in favor of Company companies not in the scope of B and C above	-	23.492
iii. GPMs given in favor of third party companies not in the scope of C above	-	-
Total	**2.781.524**	**991.894**

Based on law 128/1 of Turkish Code of Obligations, Avea has given guarantee to distributors amounting to TL 838.067 for the financial obligation that would arise during the purchase of devices that will be sold as commitment sales by Avea (31 December 2013: TL 279.546).

Other commitments

The Group has purchase commitments for sponsorships and advertising services at the amounting to US Dollar 35.638, Euro 655 and TL 6.746, equivalent to TL 91.234 (31 December 2013: TL 136.656) as at 31 December 2014. Payments for these commitments are going to be made in a 6-year period.

The Group has purchase commitments for fixed assets amounting to US Dollar 27.284, Euro 2.669, GBP 23 and TL 366.587, equivalent to TL 437.467 (31 December 2013: TL 305.836) as at 31 December 2014.

Türk Telekom concession agreement

The Concession Agreement was entered into between the Company and ICTA on 14 November 2005 following the privatization of the Company and the resultant reduction in the public shareholding to less than 50%. The Concession Agreement covers:

- the performance of the telecommunications services which are within the scope of the Agreement;
- the establishment and operation of necessary telecommunications facilities and their submission to the use of other operators or persons and institutions making a demand as per the law;
- the marketing and provision of telecommunications services.

The Concession Agreement places an obligation on the Company, in the event of termination or non-renewal of the Concession Agreement, to transfer all equipment affecting the operation of the system together with all its functions and in good condition, and all immovable properties where such equipment is installed and which the Company uses, to the ICTA, or to any other institution to be designated by ICTA, at no cost.

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

25. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Türk Telekom concession agreement (continued)

In case ICTA determines that the Company has not fulfilled its obligations stemming from the Concession Agreement and has not corrected the situation within a period granted to it, or that there is a court decision on bankruptcy or composition against the Company, the Company is granted a grace period of not less than 90 days commencing from written notification by ICTA, to fulfil its obligations. Within this grace period, the Company submits a remedy program for its abovementioned obligations to ICTA. In case ICTA accepts the remedy program, the matters in dispute shall be re-examined at the end of the program provided. If the program is not accepted, then ICTA may terminate the Concession Agreement upon expiry of the period granted to the Company.

The Concession Agreement places also a number of obligations with respect to delivering services on the Company in relation to the provision of telecommunications services.

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 permit and utilization fees for the use of frequencies. In addition, the Company is required to pay the ICTA 0,35% of its net sales revenue, as contribution share towards ICTA's expenses.

Under the Concession Agreement, requests for access in relation to the infrastructure should be met to the extent technically possible and without discrimination. The Company is further required to publish reference access and interconnection offers approved by the ICTA. The Concession Agreement also contains an obligation on the Company to provide universal services. According to article 6 entitled "Revenues for Universal Service" of the Universal Service Law No:5369, the Company declares the amount of 1% of its net sales revenue to the Ministry of Transport, Maritime Affairs and Communications until the end of April of the following year. This amount shall be transferred within the same period to the account of the central accounting department of the Ministry and shall be registered as revenue in the budget under the name of "Revenues for Universal Service". The tariffs to be charged by the Company are subject to the approval of the ICTA unless expressly provided to the contrary in any regulation issued by the ICTA. The specific content of customer bills is governed by relevant laws and regulations. It is possible to issue a separate invoice for each service, as well as to issue one single invoice for more than one service rendered to a subscriber. The cost of each service shall be demonstrated separately, in the event of preparation of one single invoice for more than one service.A detailed bill is sent to the subscribers upon request, to the extent technically possible and subject to the payment of a fee.

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

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

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.

25. 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.

25. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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.

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 indoor 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.

25. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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.

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.

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

25. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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 allocation of the numbers and frequencies to the relevant accounting department of Treasury so as to be registered as revenue for the Treasury and to send the receipt of the payment to the ICTA.

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.

25. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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.

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.

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

25. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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

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

25. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

The Termination of the Agreement by ICTA (continued)

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 2014, additional provision has been recognized amounting to TL 8.383. Total provision in relation to these litigations amounted to TL 91.884, including for principal and interest, as of 31 December 2014 (31 December 2013: TL 83.501).

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.

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
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25. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Legal proceedings of Türk Telekom

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. For this reason, the Civil Chambers Presidents Council has designated the 19th Civil Chamber as competent Chamber by its decision dated 23 September 2010, numbered E:2010/740 and K:2010/900. The case was then assigned to the 19th Civil Chamber of the Supreme Court of Appeals with case number E:2010/11229, for appellate review. Türk Telekom attended the court hearing held in the 19th Chamber of the Supreme Court of Appeals on 04 April 2011. 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 which is another legal appeal mechanism according to Turkish adjudication procedure rules. The 19th Chamber of the Supreme Court of Appeals rejected both parties' revision of decision request on 03 October 2011 with its decision No: E.2011/8668, K.2011/11802. With this decision, the 19th Chamber confirmed in a definite way that Türk Telekom is right with regards to the merits of the case and indicated that the first instance court should only make a re-calculation of the indemnity amount and decide on this issue. Accordingly, the case has returned to the 7th Commercial Court of First Instance of Ankara with case number E.2011/644. The expert witnesses has made an examination at the headquarter of Turkcell on 05 July 2013. At the hearing held on April 16, 2014, the expert witness submitted a preliminary expert report upon which the relevant documents required in the preliminary expert report have been submitted to the court. Henceforth, the lawsuit shall be heard by the 3rd Commercial Court of First Instance of Ankara with case number 2014/696. The case is still under expert examination. The next hearing will be held on March, 13 2015.

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 11.035 (31 December 2013: TL 7.189) has been provided as of 31 December 2014 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 17.936. A cumulative provision amounting to TL 45.301 (31 December 2013: TL 52.236) including the nominal amount and legal interest charges has been recognized as at 31 December 2014.

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

25. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 2014 TL 38.749 provision provided for ICTA penalties and amounts to be repaid to customers due to ICTA resolutions (31 December 2013: TL 59.364).

Disputes related to Avea's SCT

Revenue Controllership of Revenue Administration started a tax audit on account of the fact that Avea gives discounts regarding prepaid card sales to distributors and dealers and Special Communication Tax (SCT) is calculated over the mounts after discounts.

As of 31 December 2014, a provision amounting to TL 30.291 is recognized (31 December 2013: nil).

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 23.999 as at 31 December 2014 (31 December 2013 – TL 31.648). 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.

26. SUBSEQUENT EVENT

None.

27. OPERATING EXPENSES (INCLUDING COST OF SALES)

	1 January 2014 – 31 December 2014	1 January 2013 – 31 December 2013
Cost of sales (-)	(7.030.297)	(6.761.639)
Marketing, sales and distribution expenses (-)	(1.843.191)	(1.729.423)
General administrative expenses (-)	(1.833.865)	(1.572.310)
Research and development expenses (-)	(66.521)	(38.934)
	(10.773.874)	**(10.102.306)**

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

28. EXPENSES BY NATURE

	1 January 2014 – 31 December 2014	1 January 2013 – 31 December 2013
Personnel expenses	(2.482.739)	(2.193.345)
Taxes	(1.073.127)	(956.047)
Domestic interconnection	(887.669)	(882.286)
Commission expenses	(598.038)	(560.746)
Repair and maintanance expenses	(506.718)	(506.652)
Rent expenses	(413.780)	(383.133)
Advertisement expenses	(358.496)	(384.571)
Utilities	(355.141)	(362.298)
IFRIC 12 related fixed assets additions and capex provision expenses	(316.593)	(408.774)
Cost of sales and cost of equipment sales of technology companies	(295.649)	(279.310)
International interconnection	(278.723)	(289.877)
Outsources services	(210.380)	(202.840)
Doubtful receivable expenses	(200.571)	(126.105)
Bill distribution expenses	(148.812)	(145.407)
Content expenses	(94.121)	(75.189)
Revenue sharing project expenses	(73.937)	(60.480)
Consulting expenses	(59.170)	(47.219)
Vehicles expenses	(45.785)	(46.963)
Court expert expenses	(45.441)	(34.939)
Promotion expenses	(27.929)	(54.767)
Management Fee	(26.906)	(23.944)
Insurance expenses	(26.111)	(22.577)
Other expenses	(246.302)	(275.293)
Total operating expenses (excluding depreciation and amortization expense)	**(8.772.138)**	**(8.322.762)**
Depreciation, amortization and impairment	**(2.001.736)**	**(1.779.544)**
Total operating expenses	**(10.773.874)**	**(10.102.306)**

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

29. OTHER OPERATING INCOME / (EXPENSES)

	1 January 2014 – 31 December 2014	1 January 2013 – 31 December 2013
Interest and discount gains	147.458	142.458
Foreign exchange gains	67.276	121.868
Indemnity income	25.977	28.790
Rental income	8.427	4.719
Income from litigation	5.608	36.195
Commissions income	5.246	5.659
Other	47.232	57.960
Other operating income	**307.224**	**397.649**
Litigation provision compensation and penalty expenses	(85.074)	(97.954)
Foreign exchange losses	(67.324)	(166.908)
Interest expense on employee benefit obligations (Note 22)	(56.501)	(49.863)
Interest expense on litigation provision	(9.622)	(6.238)
Special consumption tax and other expenses	(3.809)	(2.838)
Interest and discount losses	(2.308)	(1.727)
Other	(30.054)	(55.228)
Other operating expense (-)	**(254.692)**	**(380.756)**

30. INCOME / (EXPENSE) FROM INVESTING ACTIVITIES

	1 January 2014 – 31 December 2014	1 January 2013 – 31 December 2013
Gain from scrap sales	140.196	176.236
Gain on sales of property, plant and equipment	110.978	49.521
Income from investing activites	**251.174**	**225.757**
Losses from sales on property, plant and equipment	(7.631)	(10.903)
Expenses from investing activites	**(7.631)**	**(10.903)**

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

31. FINANCIAL INCOME / (EXPENSE)

	1 January 2014 – 31 December 2014	**1 January 2013 – 31 December 2013**
Foreign exchange gains	1.490.326	498.146
Gain on derivative instruments	165.321	7.552
Interest income on bank deposits and delay charges	130.412	48.023
Other	156	2.016
Financial Income	**1.786.215**	**555.737**
Foreign exchange losses	(1.928.781)	(1.742.780)
Interest expense	(357.208)	(263.814)
Loss on derivative instruments	(29.056)	(33.815)
Other	(19.113)	(55.145)
Financial expenses	**(2.334.158)**	**(2.095.554)**
Financial expenses, net	**(547.943)**	**(1.539.817)**

32. TAXATION

	31 December 2014	**31 December 2013**
Corporate tax payable:		
Current corporate tax provision	696.720	327.530
Prepaid taxes and funds (-)	(499.146)	(272.312)
Tax payable	**197.574**	**55.218**

	1 January 2014 – 31 December 2014	**1 January 2013 – 31 December 2013**
Tax expense:		
Current tax expense :		
Current income tax expense	(695.023)	(337.715)
Adjustments in respect of income tax of previous year	(1.167)	(14.566)
Deferred income / (expense) (Note 12) :		
Deferred tax (expense / income) due to derecognition/recognition of deferred tax asset	(1.391)	14.775
Deferred tax (expense) / income	90.668	(101.979)
	(606.913)	**(439.485)**

As of 31 December 2014, deferred tax income amounting to TL 30.524 (31 December 2013: TL 11.654 and current tax expense amounting to TL 1.697 (31 December 2013: TL 10.185) were are recognized in the consolidated statement of other comprehensive income.

32. TAXATION (CONTINUED)

The Company and its subsidiaries located in Turkey are subject to taxation in accordance with the tax regulations and the legislation effective in Turkey where the Group companies operate. In Turkey, the corporate tax rate is 20% (2013: 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% (2013: 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.

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.

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

32. TAXATION (CONTINUED)

The reconciliation between tax expense and the product of accounting profit multiplied by applicable tax is as follows:

	1 January – 31 December 2014	1 January – 31 December 2013
Profit before tax	2.575.881	1.706.583
Tax at the corporate tax rate of 20%	515.176	341.317
Tax effects of:		
- expenses that are not deductible in determining taxable profit	24.169	45.346
- tax rate difference of subsidiaries	1.083	2.179
- deferred tax asset recognized (derecognized) from previous years' tax losses carried forward by subsidiaries	-	14.775
- derecognition of deferred tax asset which was recognized by subsidiaries in prior years	(1.592)	-
- adjustments and tax losses of subsidiaries not subject to deferred tax	68.077	35.869
Tax expense for the year	**606.913**	**439.486**

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 2014, investment allowances amount to TL 6.032.725 (2013: TL 5.502.178). Unrecognized deferred tax asset is TL 68.974 (2013: TL 64.510).

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.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk policies of the Group are managed centrally with the support of a committee. All Group companies meet their cash needs determined in business plans approved by their boards, by using credits or capital increase with guidance of the central management. The Group may choose long or short term financing according to their financing needs and market assumptions.

The Group's risk management policies are designed to identify and analyze the risks faced by the Group, to determine appropriate risks limits and controls, and to observe commitment to these limits. Risk management policies and systems are constantly under review to reflect changes in the Group's activities and market conditions.

The Group audit committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group audit committee is assisted in its oversight role by internal audit.Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Financial risk factors

The Group's principal financial instruments comprise forward market transactions, bank loans and cash and short-term deposits. The main purpose of these financial instruments is to raise funds for the Group's operations and to hedge interest rate risk. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The board reviews and agrees to policies for managing each of these risks.

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Credit risk

	Receivables						
	Trade receivables		Other receivables				
31 December 2014	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)	17.757	3.155.294	-	85.278	2.537.999	98.427	-
- Guaranteed portion of the maximum risk	-	25.331	-	-	-	-	-
A. Carrying amount of financial assets not overdue or not impaired	17.757	2.215.446	-	85.278	2.537.999	98.427	-
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	-	939.848	-	-	-	-	-
- Amount secured via guarantees	-	-	-	-	-	-	-
D. Carrying amount of assets impaired							
- Overdue (gross book value)	-	1.732.493	-	23.896	-	-	-
- Impairment (-)	-	(1.732.493)	-	(23.896)	-	-	-
E. Off balance sheet items with credit risk	17.757	3.155.294	-	85.278	2.537.999	98.427	-

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Credit risk (continued)

	Receivables						
	Trade receivables		Other receivables				
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	1.003.913	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	1.003.913	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	-	-	-		-	-	-

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 2014, 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.

Liquidity risk

Liquidity risk is uncertainty to cover future financial obligations.

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

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

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2014 and 2013 based on contractual undiscounted payments (including interest payments not due yet).

Contract based maturities as at 31 December 2014	**Book value**	**Total contract based cash outflow (I+II+III+IV)**	**Less than 3 months (I)**	**3 to 12 months (II)**	**1 to 5 Years (III)**	**More than 5 years (IV)**
Non-derivative financial liabilities						
Financial liabilities and bills,bonds and notes issued	8.857.842	10.713.742	168.084	834.588	7.310.949	2.400.121
Obligations under finance leases	19.956	20.800	3.395	10.265	7.140	-
Trade payables	1.248.079	1.248.079	1.090.667	156.799	613	-
Other payables	941.530	941.530	941.530	-	-	-
Related parties	7.888	7.888	7.888	-	-	-
Minority put option liability	439.664	439.664	-	439.664	-	-
Derivative financial liabilities (net)	**84.591**	**102.149**	**11.560**	**10.863**	**54.801**	**24.925**

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 and bills,bonds and notes issued	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**

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33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk

Foreign currency risk

	31 December 2014					31 December 2013					
	TL Equivalent	US Dollar	Euro	GBP	Other	TL equivalent	USD	Euro	JPY	GBP	Other
1. Trade receivables	166.050	32.415	28.755	2	1.864	329.205	65.864	63.986	-	-	1.293
2a. Monetary financial assets (Cash and banks accounts included)	209.276	56.734	12.003	5	-	296.736	19.294	87.018	556	5	-
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-	-
3. Other	49.146	316	119	-	-	52.969	1.066	17.264	-	-	-
4. Current assets (1+2+3)	**424.472**	**89.465**	**40.877**	**7**	**1.865**	**678.910**	**86.224**	**168.268**	**556**	**5**	**1.293**
5. Trade receivables	4.072	1.580	145	-	-	-	-	53	-	-	-
6a. Monetary financial assets	29.787	8.254	3.775	-	-	64.598	27.620	1.912	1.691	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-	-
7. Other	3.177	1.152	145	26	-	938	213	165	-	-	-
8. Non-current assets (5+6+7)	**37.036**	**10.986**	**4.065**	**26**	**-**	**65.536**	**27.833**	**2.130**	**1.691**	**-**	**-**
9. Total assets (4+8)	**461.508**	**100.451**	**44.942**	**33**	**1.865**	**744.446**	**114.057**	**170.398**	**2.247**	**5**	**1.293**
10. Trade payables	591.481	182.103	52.226	24	2	619.533	213.203	55.948	-	63	7
11. Financial liabilities	706.206	209.851	74.367	-	-	2.188.106	427.448	423.043	1.657.782	-	-
12a. Monetary other liabilities	18.514	2.834	4.016	-	-	45.427	5.930	11.160	-	-	-
12b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-	-
13. Short-term liabilities (10+11+12)	**1.316.201**	**394.788**	**130.609**	**24**	**2**	**2.853.066**	**646.581**	**490.151**	**1.657.782**	**63**	**7**
14. Trade payables	84	36	-	-	-	-	-	-	-	-	-
15. Financial liabilities	8.030.084	2.680.109	509.680	-	-	6.003.327	1.727.072	766.283	3.314.094	-	-
16 a. Monetary other liabilities	80.432	-	28.515	-	-	90.428	31	30.772	-	-	-
16 b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-	-
17. Long-term liabilities (14+15+16)	**8.110.600**	**2.680.145**	**538.195**	**-**	**-**	**6.093.755**	**1.727.103**	**797.055**	**3.314.094**	**-**	**-**
18. Total liabilities (13+17)	**9.426.801**	**3.074.933**	**668.804**	**24**	**2**	**8.946.821**	**2.373.684**	**1.287.206**	**4.971.876**	**63**	**7**
19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b)	**70.375**	**500.000**	**(386.100)**	**(1)**	**-**	**101.155**	**-**	**-**	**5.000.000**	**-**	**-**
19a. Total asset amount hedged	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
19b. Total liability amount hedged	**(70.375)**	**(500.000)**	**386.100**	**1**	**-**	**(101.155)**	**-**	**-**	**(5.000.000)**	**-**	**-**
20. Net foreign currency asset/(liability) position (9-18+19)	**(8.894.918)**	**(2.474.482)**	**(1.009.962)**	**8**	**1.863**	**(8.101.220)**	**(2.259.627)**	**(1.116.808)**	**30.371**	**(58)**	**1.286**
21. Net asset/(liability) position of foreign currency monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(9.017.616)**	**(2.975.950)**	**(624.126)**	**(17)**	**1.862**	**(8.256.282)**	**(2.260.906)**	**(1.134.237)**	**(4.969.629)**	**(58)**	**1.286**
22. Fair value of FX swap financial instruments	**73.967**	**31.897**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
23. Hedged amount of foreign currency assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
24. Hedged amount of foreign currency liabilities	**(70.375)**	**(500.000)**	**386.100**	**-**	**-**	**(101.155)**	**-**	**-**	**(5.000.000)**	**-**	**-**

(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
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014
(Currency in Thousands of Turkish Lira ("TL") unless otherwise stated, all other currencies are also disclosed in thousands)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

Foreign currency risk (continued)

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

The following table demonstrates the sensitivity to a reasonably possible change in the 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):

31 December 2014	**Profit / Loss**		**Other comprehensive income**	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Appreciation of USD against TL by 10%:				
1- USD net asset/liability	(691.796)	691.796	(1.440)	1.440
2- Hedged portion of USD risk (-)	-	-	-	-
3- USD net effect (1+2)	**(691.796)**	**691.796**	**(1.440)**	**1.440**
Appreciation of Euro against TL by 10%:				
4- Euro net asset/liability	(176.195)	176.195	(3.340)	3.340
5- Hedged portion of Euro risk (-)	-	-	-	-
6- Euro net effect (4+5)	**(176.195)**	**176.195**	**(3.340)**	**3.340**
Appreciation of other foreign currencies against TL by 10%:				
7- Other foreign currency net asset/liability	109	(109)	-	-
8- Hedged portion of other foreign currency (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	**109**	**(109)**	**-**	**-**
Total (3+6+9)	**(867.882)**	**867.882**	**(4.780)**	**4.780**

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

Foreign currency risk (continued)

31 December 2013	**Profit / Loss**		**Other comprehensive income**	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Appreciation of USD against TL by 10%:				
1- USD net asset/liability	(479.117)	479.117	(4.159)	4.159
2- Hedged portion of USD risk (-)	-	-	-	-
3- USD net effect (1+2)	**(479.117)**	**479.117**	**(4.159)**	**4.159**
Appreciation of Euro against TL by 10%:				
4- Euro net asset/liability	(333.069)	333.069	(13.231)	13.231
5- Hedged portion of Euro risk (-)	-	-	-	-
6- Euro net effect (4+5)	**(333.069)**	**333.069**	**(13.231)**	**13.231**
Appreciation of JPY against TL by 10%:				
7- JPY net asset/liability	(10.049)	10.049	(5)	-
8- Hedged portion of JPY risk (-)	10.049	(10.049)	5	-
9- Euro net effect (4+5)	**-**	**-**	**-**	**-**
Appreciation of other foreign currencies against TL by 10%:				
10- Other foreign currency net asset/ liability	53	(53)	-	-
11- Hedged portion of other foreign currency (-)	-	-	-	-
12- Other foreign currency net effect (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 stated, all other currencies are also disclosed in thousands)

33. 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 16)

The interest rate risk table is presented below:

	31 December 2014	31 December 2013
Financial instruments with fixed interest rate		
Financial assets	2.176.019	608.933
Financial liabilities	(2.836.144)	682.384
	(660.125)	(73.451)
Effect of interest rate swaps	(2.087.010)	(2.134.300)
	(2.747.135)	**(2.207.751)**
Financial instruments with variable interest rate		
Financial liabilities	(6.021.698)	(7.623.995)
Effect of interest rate swaps	2.087.010	2.134.300
	(3.934.688)	**(5.489.695)**

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 8.902 as of 31 December 2014. (31 December 2013: TL 18.761)

On the other side because of hedging, if the base point of interest rate higher 0,25%, equity would be higher TL 38.902 (31 December 2013: TL 24.188), if the base point of interest rate lower 0,25%, equity would be lower TL 39.817 (31 December 2013: TL 24.780).

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 stated, all other currencies are also disclosed in thousands)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

	Carrying amount		Fair value	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**
Financial assets				
Cash and cash equivalents	2.538.446	1.004.767	2.538.446	1.004.767
Trade and other receivables (including related parties)	3.258.329	3.314.793	3.258.329	3.314.793
Other financial investments	11.840	11.840	(*)	(*)
Derivative financial liabilities	98.427	60.061	98.427	60.061
Financial liabilities				
Bank borrowings	6.558.167	8.306.379	8.166.857	8.306.379
Bills, bonds and notes issued	2.299.675	-	2.317.253	-
Financial leasing liabilities	19.956	27.129	19.956	27.129
Trade and other payables (including related parties)	2.296.135	2.320.784	2.296.135	2.320.784
Other financial liabilities	439.664	483.946	439.664	483.946
Derivative financial liabilities	84.592	24.665	84.592	24.665

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

Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

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

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

Fair value hierarchy table as at 31 December 2014 is as follows:

			Fair Value Measurement		
	Date of Valuation	**Total**	**Quoted Prices in Active Markets**	**Significant Observable Inputs**	**Significant Unobservable Inputs**
			(Level 1)	(Level 2)	(Level 3)
Financial assets measured at fair value through profit or loss					
Derivative Financial Assets:					
Foreign currency swaps - USD Dollar / Euro	31 December 2014	73.967	-	73.967	-
Interest rate swaps - USD Dollar	31 December 2014	24.395		24.395	
Commodity derivative (Copper)	31 December 2014	65	-	65	-
Financial liabilities measured at fair value through profit or loss					
Derivative Financial Liabilities:					
Bills, bonds and notes issued	31 December 2014	2.299.675	2.299.675	-	-
Interest rate swaps - USD Dollar	31 December 2014	84.592	-	84.592	-
Other financial liabilities measured at fair value through profit or loss					
Minority put option liability	31 December 2014	439.664	-	-	439.664

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

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	3% increase	If the long term revenue growth rate was set as 4%, the fair value would increase by TL 32.809 and if the long term revenue growth rate was set as 2%, the fair value would decrease by TL 28.122.
		WACC	16% - 16.5%	Increasing the WACC by 1%, decreases the fair value by TL 42.007, decreasing the WACC by 1%, increases the fair value by TL 48.884.

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

Fair value hierarchy table as at 31 December 2013 is as follows

			Fair Value Measurement		
	Date of Valuation	**Total**	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Financial assets measured at fair value 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	-
Financial liabilities measured at fair value through profit or loss					
Derivative Financial Liabilities:					
Interest rate swaps - USD Dollar	31 December 2013	13.303	-	13.303	-
Commodity derivative (Copper)	31 December 2013	11.363	-	11.363	-
Other financial liabilities measured at fair value through profit or loss					
Minority put option liability	31 December 2013	483.946	-	-	483.946

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

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

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or return capital to shareholders. No changes were made in the objectives, policies or processes during the years 2014 and 2013.

GLOSSARY

0-9

3G
Third generation of mobile systems. Provide high-speed data transmissions and higher supporting multimedia applications such as full-motion video, video conferencing and Internet access. See “UMTS”.

A

Access Channel
The network element used to connect a subscriber to the nearest switch or concentrator. An access channel generally takes the form of a closed circuit and consists of a pair of copper wires, but may also employ fiber optic cables, microwave links or other technologies.

ACD (Automatic Call Distribution)
A specialized phone system for handling incoming calls which recognizes and answers calls according to instructions from a database and then routes the calls to an operator or agent.

ADSL (Asymmetric Digital Subscriber Line)
A technology for transferring data that uses an access channel to provide faster network access to the Internet and other popular multimedia and data services at speeds of up to two to six Mbps, a transfer speed 50 times faster than narrowband or dial-up Internet access.

ARPL (Average Revenue per Line)
Measures the average monthly revenue generated for each line. The method used to calculate this measure may differ among operators.

ARPU (Average Revenue per User)
Measures the average monthly revenue generated for each customer unit, such as a mobile phone.

ATM (Asynchronous Transfer Mode)
A multiplexing and routing technology for high-speed digital communications that permits data, text, voice, video and multimedia signals to be transmitted simultaneously between network access points at speeds of up to 155 Mbps or more. ATM allows for better local area network interconnections, PABX interconnection, data transmission and flexible bandwidth delivery.

B

Base Station
Fixed transceiver equipment in each cell of a mobile telecommunications network that communicates by radio signal with mobile handsets in that cell.

Bit
The smallest unit of binary data.

Bit stream Access
Access to Türk Telekom equipment connecting a provider to the end user to provide high-speed access services. This form of access differs from wholesale in that, in terms of transmission capacity, it provides access at a binary rate and the operator, as the access provider, decides on the technical specifications for the equipment directly connected to the access channel, as well as on the interface offered at the end-user side.

BPS (Bits per Second)
A data transmission rate

Broadband Service
A communications service for content requiring high-speed transmission rates such as video transmission.

C

Call Forwarding
A feature permitting the user to program a phone to ring at an alternate location; call forwarding may be in effect at all times or only in certain designated instances, such as when a particular phone is busy or there is no answer.

Call Waiting
A warning signal received when a person is on a call that there is a second incoming call.

Carrier Pre-Selection
A mechanism that allows customers to select competing operators as that user's default operator without dialing additional codes on the telephone. The customer subscribes to the services of a competing operator and his calls are routed through such operator.

Centrex
An enhanced phone service offered by public exchanges that delivers PBX switchboard-like functions to groups of users without the need for a private exchange within an organization or other group of users.

Churn
A measure of customer turnover due to subscription disconnections as a result of terminations by customers; switching by customers to competing services; terminations by the service provider due to customer non-payment; and, in the case of mobile communications services, expirations of pre-paid cards.

CLIP (Call Line Identification Presentation)
A code that is sent over phone lines in certain locations when a person makes a phone call. This code includes the phone number of the person making the call. Certain modems are able to understand this code, and inform the customer of the identity of the person who is calling before the customer answers the phone.

CLIR
Caller Line Identity Restriction

Co-Location
The physical or virtual placement of competitors' equipment within the facilities of Türk Telekom for purposes of providing telecommunications services to end users, such as interconnection and unbundling.

CPI
Consumer Price Index

CTI (Computer Telephony Integration)
A system that enables a computer to act as a call center, accepting incoming calls and routing them to the appropriate destination.

D

Digital
A method of storing, processing and transmitting information through the use of distinct electronic or optical pulses that represent the binary digits 0 and 1. Digital transmission and switching technologies employ a sequence of these pulses to represent information as opposed to the continuously variable analog signal. Compared to analog networks, digital networks allow for greater capacity, lower interference, protection against eavesdropping and automatic error correction. Signals are encoded into digits for transmission.

DSL (Digital Subscriber Line)
See "xDSL".

DSLAM (Digital Subscriber Line Access Multiplexer)
Equipment at a phone company's central location that can be used to link many customer DSL connections to a single high-speed ATM line.

DWDM (Dense Wavelength Division Multiplexing)
A technique enabling several independent flows of digital information to co-exist on the same optical fibre.

E

EDGE
Enhanced Data Rates for Global Evolution.

Ethernet
A local area network allowing several computers to transfer data, typically over a coaxial cable.

Exchange
See "switch".

F

Frame Relay
A data transport protocol that divides a physical communications line into several virtual channels. A technology part-way between X25 packet switching and ATM.

Frequency band
A specified range of frequencies. Frequency refers to the number of times per second that a wave (e.g., electromagnetic wave) oscillates or swings back and forth in a complete cycle from its starting point to its end point.

G

GByte
A unit of binary data commonly used to measure data storage or transfer.

Gbps (Gigabits per second)
A data transmission rate. One Gbps equals one billion bps.

GMPCS (Global Mobile Personal Communications via Satellite)
A personal communication system providing transnational, regional or global coverage through satellites that are accessible by end users with small and easily transportable terminals.

G.SHDSL (Global Symmetric High Bit-Rate Digital Subscriber Line)
Service that provides equal bandwidth for both uploads and downloads and transports data at a maximum bit rate of 2.3 mbits/s in both directions.

GPRS (General Packet Radio Service)
A GSM-based packet-switched data transmission technology standard, established by the European Telecommunications Standards Institute, in which base stations can be directly connected to the Internet, thus bypassing the switching systems typically used to connect mobile traffic to fixed networks. GPRS provides users of mobile communications services better data access capability with virtually instant and permanent connections, as well as speeds up to ten times higher than GSM.

GSM (Global System for Mobile Communications)
A digital mobile telecommunications system standardized by the European Telecommunications Standards Institute based on digital transmission and cellular network architecture with roaming in use throughout Europe, Japan and in various other countries. GSM systems operate in the 900 MHz (GSM 900) and 1800 MHz (GSM 1800, also referred to as DCS 1800) frequency bands.

GSM 900 and GSM 1800
See "GSM".

I

Interconnection
The linking of telecommunications networks used by the same or different persons in order to allow the users of the services or networks of one person to communicate with the users of the services or networks of the same person or of another person, or to access services provided by another person.

International Roaming
Provision of roaming services in the domestic market to subscribers of a competing operator's network. See "roaming".

Internet Access Line
The network element used to connect a subscriber to the nearest switch or concentrator. An access channel generally takes the form of a closed circuit and consists of a pair of copper wires, but may also employ fibre optic cables, microwave links or other technologies.

IP (Internet Protocol)
Protocol used in the Internet for communication among multiple networks.

IP-VPN (Internet Protocol Virtual Private Network)
A closed network of encrypted links accessible via Internet protocol

ISDN (Integrated Services Digital Network)
A transmission system with the capacity to transmit two streams of information (voice, text, data or graphics) simultaneously on a single access

channel based upon end-to-end digitalization and standardized out-of-band signaling.

ISDN-BA
Integrated Services Digital Network Basic Access, comprising two voice channels and one signaling channel.

ISDN-PA
Integrated Services Digital Network Primary Access, comprising 30 voice channels and one signaling channel.

ISP (Internet Service Provider)
A company providing access to Internet and other computer based information networks through its servers.

IT (Information Technology)
The broad subject concerned with all aspects of managing and processing information, especially within a large organization or company.

ITI (Interactive Terminal Interface)
A protocol that allows for the transfer of binary files between terminals across an X.25 network.

IPTV
Internet Protocol television, a system in which digital television services are delivered by using Internet Protocol over a network infrastructure, which may include delivery via a broadband connection.

IVR (Interactive voice response)
A telecommunications system that uses a pre-recorded database of voice messages to present options to a user, typically over telephone lines.

K

Kbps (Kilobits Per Second)
A data transmission rate. One Kbps equals 2(10) bps.

L

LAN (Local Area Network)
A short distance data transmission network designed to interconnect personal computers, workstations, minicomputers, file servers and other computing devices within a localized environment, for the purpose of sharing files, programs and various devices such as printers and high-speed modems. LANs may have a decentralized communications management or include dedicated computers or file servers that provide a centralized source of shared files and programs.

Leased line
Voice and data circuits leased to connect two or more locations for the exclusive use of the subscriber.

Local Loop
See “access channel”.

M

MByte
A unit of computer data commonly used to measure data storage or transfer.

Mbps (Megabits per Second)
A data transmission rate. One Mbps equals 2(20) bps.

MHz (Megahertz)
A measure of frequency. One MHz equals 1,000,000 cycles per second.

MMS (Multimedia Messaging Service)
A standard defined for use in advanced wireless terminals that allows users to send and receive messages containing various kinds of multimedia content, such as images, audio and video clips, with a “non-real-time” transmission.

MNP (Mobile Number Portability)
A service that allows customers to keep their mobile phone numbers when they change service providers.

MNS (Managed Network Services)
The management and provision of operational support for a network environment while the network hardware and associated assets remain on the client’s books.

MoU (Minutes of Use)
A measurement of customer activity. Average minutes of use per customer, usually presented on a monthly basis.

MVNO (Mobile Virtual Network Operator)
A company that offers mobile services using another company’s network.

MPLS (Multiprotocol Label Switching)
A standards-approved technology for speeding up network traffic flow and making it easier to manage. MPLS involves setting up a specific path for a given sequence of packets, identified by a label put in each packet, thus saving the time needed for a router to look up the address in order to forward the packet to the next node.

N

Narrowband
A channel that provides data transfer rates less than or equal to one voice-grade line. Contrast with broadband speeds of data transfer.

NGN (Next Generation Networks)
IP/MPLS protocol-based digital packet-switched network.

NMT 450
Nordic mobile telephone and one of the earliest first generation mobile networks that operated mostly in the 450 MHz band.

Node
A network element that provides a point at which key telecommunications equipment or computers can access the network. In circuit networks, nodes are switching systems. In packet-switched networks they are often computers.

O

On-Net
Calls that stay on an operator's network or a customer private network from beginning to end.

P

Packet switching
A data transmission process, utilizing addressed packets, whereby a channel is occupied only for the duration of transmission of the packet.

PMR (Private Mobile Radio)/PAMR (Public Access Mobile Radio)
A commercial service using trunking techniques in which multiple groups of users can set up their own closed systems within a shared public network.

PC (Personal Computer)
A small digital computer based on a microprocessor and designed to be used by one person at a time.

Penetration Rate
The total number of subscribers for a carrier divided by the population that it serves expressed as a percentage.

Point-to-Point
A link from one user or network to another using a phone line.

PoP (Point of Presence)
A site where there exists a collection of telecommunications equipment, usually modems, digital leased lines and multi-protocol routers.

Pulses
A unit of measurement of billing intervals

Push-To-Talk
Mobile phone technology that allows a mobile phone to be used for real-time one-to-one and one-to-many voice communication, typically requiring the speaker to push a button on the handset to be heard and to release the button to listen.

PSTN (Public Switched Telephone Network)
The international telephone system based on copper wires carrying analog voice data. This is in contrast to newer telephone networks based on digital technologies, such as ISDN.

PTT
The PTT is the General Directorate of Postal Telegraph and Telephone. Türk Telekom operated as part of the PTT from 1924 to 1995, when it was separated from the PTT and incorporated as a joint stock company under the Undersecretary of the Treasury.

R

Registered line
Registered line refers to a line with a valid and effective subscription agreement between the operator and the customer.

Ringback
When the customer gets a busy tone when calling a number, the caller is invited to punch R5. Once the called party's line is free, the service will call back the customer and will connect them.

RLLO
Türk Telekom's reference local loop offer. Türk Telekom is required by the Local Loop Unbundling Communiqué enacted on 1 July 2005 to publish a reference offer for access to its local loop. The reference local loop offer must be approved by the Telecommunications Authority every year. Türk Telekom submitted its RLLO for approval on 29 September 2005.

Roaming
The mobile telecommunications feature that permits subscribers of one network to use their mobile handsets and telephone numbers when in a region covered by another operator's network.

Router
An inter-network device that relays data packets to networks connected to the router based upon the destination address contained in those data packets being routed.

S

SCT (Special Communications Tax)
A tax imposed on all mobile communications services in Turkey to fund public works in the aftermath of the 1999 earthquake in Turkey's Marmara region. The tax was originally applicable through the end of 2000, but has been extended twice and on 1 January 2004 was made permanent when Law 5035 was enacted. The tax is paid by mobile customers and collected by mobile operators.

SDH (Synchronous Digital Hierarchy)
The European standard for high-speed digital transmission using fibre optic cables.

SIM (Subscriber Identity Module)
An electronic card inserted into a GSM phone that identifies the user account to the network, handles authentication and provides data storage for user data such as phone numbers and network information. It may also contain applications that run on the phone.

SLA (Service Level Agreement)
A contract between a network service provider and a customer that specifies, usually in measurable terms, what services, and in certain cases, the quality of such services that the network service provider will furnish.

SMS (Short Message Service)
A mobile communications system that allows users to send and receive alpha-numeric messages of up to 160 characters from one mobile handset to another via a short message service center.

SOHO
Small Office/Home Office.

Switch
A device used to set up and route telephone calls either to the number called or to the next switch along the path. They may also record information for billing and control purposes.

T

Termination rate
The interconnection fee received by an operator for incoming calls terminating on its network.

U

UMTS (Universal Mobile Telecommunications System)
The third-generation broadband mobile communications standard. UMTS utilizes Code Division Multiple Access, or CDMA, technology and has the speed and capacity to handle multimedia transmissions. A UMTS system offers mobile

telephony, messaging services, wireless access to the Internet and other multi-media services at higher speeds than GSM systems.

USO (Universal Service Obligation)
The obligation placed on Türk Telekom by the Universal Service Law enacted on 16 June 2005 to ensure that standard telephone services, payphones and prescribed carriage services are reasonably accessible to all people in a particular region on an equitable basis, and with affordable pricing, wherever they reside or carry on business.

V

Voicemail
Any system for sending, storing and retrieving audio messages, similar to a telephone answering machine.

VoIP
Voice over Internet Protocol, in which voice traffic is carried over Internet Protocol rather than a circuit-switched network.

VPN (Virtual Private Network)
A data network that shares telecommunications infrastructure but acts as a secure private network, with an architecture based on the use of the TCP-IP (Time Compression Multiplexing—Internet Protocol).

W

WAP (Wireless Application Protocol)
A global open specification that supports Internet Protocols on wireless devices, such as mobile phones, two-way radios, smart phones and communicators, to easily access and interact with Internet-based services. With WAP, a mobile phone user can view mini-pages and interact with a small, multiple choice screen.

Wi-Fi (Wireless Fidelity)
The generic term used to refer to any type of IEEE 802.11 radio frequency network, in which signals are sent over radio frequencies or infrared using wireless network cards and hubs to provide wireless network access.

WiMax (World Interoperability for Microwave Access)
The successor to Wi-Fi. The generic term used to refer to any type of IEEE 802.16 radio frequency network, with a range of up to 80km and a bandwith of up to 75bps.

WLAN
A wireless network connecting two or more computers or other devices over a short distance, such as within an office, a home or a hot spot. Wi-Fi and its successor, WiMax, are examples of WLANs.

X

X25
A worldwide protocol for communications services using packet-switched networks.

xDSL
Refers collectively to all types of digital subscriber lines, the two main categories being ADSL and SDSL. Two other types of xDSL technologies are High-data-rate DSL (HDSL) and Very high DSL (VDSL). DSL technologies use sophisticated modulation schemes to pack data onto copper wires. They are sometimes referred to as “last-mile technologies” because they are used only for connections from a telephone switching station to a home or office, not between switching stations.

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