Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

31 December 2014

Consolidated Financial Statements
And Independent Auditors' Report

4 February 2015

This report contains 2 pages of "Independent Auditors' Report" and 106 pages of financial statements and explanatory notes.

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 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 requested documents in connection with the audit.

Akis Bağımsız 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 FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

Table of contents

		Page
Independent auditors' report		
Consolidated statement of financial position		1 - 2
Consolidated statement of profit or loss		3
Consolidated statement of other comprehensive income		4
Consolidated statement of changes in equity		5
Consolidated statement of cash flows		6
Note 1	Reporting entity	7-9
Note 2	Basis of presentation of financial statements	9-39
Note 3	Segment reporting	39-41
Note 4	Cash and cash equivalents	42
Note 5	Financial liabilities	43-45
Note 6	Trade receivables and payables from third parties	46-47
Note 7	Obligations under finance and operational leases and finance lease receivables	47-48
Note 8	Due from and due to related parties	49-50
Note 9	Minority put option liability	51
Note 10	Other receivables and payables	52-53
Note 11	Inventories	53
Note 12	Deferred tax assets and liabilities	53-57
Note 13	Other assets, liabilities and employee benefit obligations	57-58
Note 14	Prepaid expenses and deferred revenues	58-59
Note 15	Financial investments	59
Note 16	Other financial investments and other financial liabilities	59-62
Note17	Goodwill	63-64
Note 18	Assets held for sale	65
Note 19	Investment property	65
Note 20	Property, plant and equipment	66-67
Note 21	Intangible assets	68-70
Note 22	Provisions	71-74
Note 23	Paid in capital, reserves and retained earnings	74-79
Note 24	Share based payment	79-80
Note 25	Commitments and contingencies	80-91
Note 26	Subsequent events	91
Note 27	Operating expenses	91
Note 28	Expenses by nature	92
Note 29	Other operating income / (expenses)	93
Note 30	Income / (expense) from investing activities	93
Note 31	Financial income / (expense)	94
Note 32	Taxation	94-96
Note 33	Financial instruments	97-106

(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)

		Current period	**Prior period**
		Audited	**Audited**
	Notes	**31 December 2014**	**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.

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)

		Current period	**Prior period**
		Audited	**Audited**
	Notes	**31 December 2014**	**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)

		Current Period	**Prior Period**
		Audited	**Audited**
	Notes	**1 January 2014 – 31 December 2014**	**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.

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)

		Current Period	**Prior Period**
		Audited	**Audited**
	Notes	**1 January 2014 - 31 December 2014**	**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**

(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**

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

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

		Current Period	**Prior Period**
		Audited	**Audited**
	Notes	**1 January 2014 - 31 December 2014**	**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.

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 ("TTlNT Bulgaria")(*)	Bulgaria	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	100
Türk Telekom International CZ s.r.o (TTINT Czech Republic")(*)	Czech Republic	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	100
TTINT Telcomd.o.o Beograd ("TTINT Serbia ")(*)	Serbia	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	100
TTINT Telcomunikacijed.o.o ("TTINT Slovenia ")(*)	Slovenia	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	100
Türk Telekom International SK s.r.o ("TTINT Slovakia ")(*)	Slovakia	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	100
MTCTR Memorex Telekomunikasyon Sanayi ve Ticaret Limited Şirketi ("TTINT Turkey")(*)	Turkey	Internet/data services, infrastructure and wholesale voice services provider	Turkish Lira	**100**	100
Türk Telekom International UA TOV. ("TTINT Ukraine")(*)	Ukraine	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	100
Türk Telekom International Italia S.R.L. ("TTINT Italia)(*)	Italy	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	100
TTINT International DOOEL Skopje ("TTINT Macedonia")(*)	Macedonia	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	100
Türk Telekom International LLC ("TTINT Russia")(*)	Russia	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	100
Türk Telekomunikasyon Euro Gmbh. ("TT Euro")(*)	Germany	Mobil service marketing	Euro	**100**	100
Pan Telekom D.O.O. ("TTINT Croatia")(*)	Croatia	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	100
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.

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.

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.

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.

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.

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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Summary of significant accounting policies (continued)

u) Determination of fair values (continued)

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.

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.

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 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.

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.

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)

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.

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.

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)

Annual Improvements to TFRSs – 2011–2013 Cycle (continued)

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.

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.

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:

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

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).

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).

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 080% 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%.

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 year**	**Total**	**Up to 3 moths**	**3 months to 1 year**	**1 year to 5 years**	**More than 5 year**	**Total**
TL bank borrowings with fixed interest rates	-	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**

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).

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).

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**

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 m^2 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**

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.

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.

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).

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.

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. DEFERRED 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**

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).

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)

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)**

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.

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.

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.

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

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

16. OTHER FINANCIAL INVESTMENTS AND OTHER FINANCIAL LIABILITIES (CONTINUED)

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

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)

16. OTHER FINANCIAL INVESTMENTS AND OTHER FINANCIAL LIABILITIES (CONTINUED)

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

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

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

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.

17. GOODWILL (CONTINUED)

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.

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**

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.

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).

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**

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**
Transfers	-	633	113	(6.942)	6.527	-	**331**
Disposals	-	-	-	-	(894)	-	**(894)**
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.

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**
Transfers	-	-	-	-	1.517	-	**1.517**
Disposals	-	-	-	-	(186)	-	**(186)**
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**

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).

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**

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.

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%)

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.

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.

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)

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**

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

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.

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.

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.

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.);

c) 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.

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.

d) 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.

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.

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)**

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)**

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)**

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.

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.

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	-	-	-	-	-	-	-

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.

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**

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)**	**-**	**-**

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**

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**

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.

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

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		
			Quoted Prices in Active Markets	**Significant Observable Inputs**	**Significant Unobservable Inputs**
	Date of Valuation	**Total**	**(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

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.

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.