

Türk Telekomünikasyon
Anonim Şirketi and Its Subsidiaries
31 March 2015
Interim Condensed Consolidated
Financial Statements As At and For
The Three Month Period
Ended 31 March 2015

21 April 2015

*This report contains 43 pages of financial
statements and explanatory notes.*

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2015

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2015

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

		Current period	Prior period
		Unaudited	Audited
	<i>Notes</i>	31 March 2015	31 December 2014
Assets			
Current assets			
Cash and cash equivalents	6	3.007.538	2.538.446
Trade receivables			
- Due from related parties	7	6.811	17.757
- Trade receivables from third parties	9	3.189.903	3.115.181
Other receivables			
- Other receivables from third parties		37.484	39.948
Derivative financial instruments	17	300.015	74.032
Inventories		128.926	144.182
Prepaid expenses		472.853	263.072
Current tax related assets		19.135	6.355
Other current assets	12	204.685	187.664
		7.393.030	6.413.004
Assets held for sale			
	10	25.680	26.367
Non-current assets			
Financial investments		11.840	11.840
Trade receivables			
- Trade receivables from third parties	9	39.456	40.113
Other receivables			
- Other receivables from third parties		45.206	45.330
Derivative financial instruments	17	31.636	24.395
Investment property	10	13.405	13.547
Property, plant and equipment	10	8.044.529	8.180.932
Intangible assets			
-Goodwill		48.734	48.734
-Other intangible assets	10	4.720.116	4.789.152
Prepaid expenses		31.291	30.392
Deferred tax assets		267.766	259.308
Other non-current assets	12	26.259	21.040
		13.280.238	13.464.783
Total assets			
		20.673.268	19.877.787

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

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2015

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

	Notes	Current period	Prior period
		Unaudited 31 March 2015	Audited 31 December 2014
Liabilities			
Current liabilities		6.091.656	4.225.718
Financial liabilities			
- Bank borrowings	8	241.048	29.414
Short term portion of long term financial liabilities			
- Bank borrowings	8	795.245	691.154
- Obligations under finance leases		13.164	12.961
- Bills, bonds and notes issued	8	34.026	4.943
Other financial liabilities			
- Non-controlling interest put option liability	13	451.198	439.664
Trade payables			
- Due to related parties	7	8.926	7.888
- Trade payables to third parties	9	1.238.708	1.541.161
Employee benefit obligations	12	97.512	275.767
Other payables			
- Due to related parties		1.840.854	-
- Other payables to third parties		596.438	463.088
Derivative financial instruments	17	61.352	--
Deferred revenue		116.172	110.709
Income tax payable		71.300	197.574
Short term provisions			
-Short term provisions for employee benefits	11	201.339	160.050
-Other short term provisions		276.325	241.259
Other current liabilities	12	48.049	50.086
Non-current liabilities		10.185.234	9.348.729
Financial liabilities			
- Bank borrowings	8	6.296.016	5.837.599
- Obligations under finance leases		4.987	6.995
- Bills, bonds and notes issued	8	2.582.996	2.294.732
Trade payables			
- Trade payables to third parties	9	60	613
Other payables			
- Other payables to third parties	9	8.052	7.619
Derivative financial instruments	17	150.438	84.592
Deferred revenue		246.469	255.555
Long term provisions			
-Provisions for employee termination benefits	11	572.110	555.595
-Long term provisions for employee benefits excluding employee termination benefits	11	77.009	68.907
-Other long term provisions	11	7.622	7.593
Deferred tax liability		239.475	228.929
Equity		4.396.378	6.303.340
Total equity attributable to parent			
Paid-in share capital		3.500.000	3.500.000
Inflation adjustments to paid in capital (-)		(239.752)	(239.752)
Other comprehensive income items not to be reclassified to profit or loss			
- Non-controlling interest put option liability reserve		(260.470)	(227.065)
-Difference arising from the change in shareholding rate in a subsidiary		(858.134)	(858.134)
-Actuarial loss arising from employee benefits		(382.880)	(382.368)
-Share based payment reserve		9.528	9.528
Other comprehensive income items to be reclassified to profit or loss			
-Hedging loss		(173.109)	(124.116)
-Foreign currency translation reserve		38.789	48.703
Restricted reserves allocated from profits		2.289.383	2.122.798
Retained earnings		446.307	446.307
Net profit for the period		26.716	2.007.439
Total liabilities and equity		20.673.268	19.877.787

The accompanying notes form an integral part of these condensed 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
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2015

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

		Current Period	Prior Period
		Unaudited	Unaudited
	<i>Notes</i>	1 January 2015 – 31 March 2015	1 January 2014 – 31 March 2014
Sales	5	3.434.220	3.194.707
Cost of sales (-)	5	(1.734.909)	(1.617.839)
Gross profit		1.699.311	1.576.868
General administrative expenses (-)	5	(471.646)	(466.951)
Marketing, sales and distribution expenses (-)	5	(412.929)	(474.662)
Research and development expenses (-)	5	(13.541)	(15.318)
Other operating income	5	78.456	77.095
Other operating expense (-)	5	(113.508)	(73.970)
Operating profit		766.143	623.062
Income from investing activities	5	11.618	109.855
Expense from investing activities (-)	5	(416)	(723)
Operating profit before financial expenses		777.345	732.194
Financial income	5	487.513	436.753
Financial expense (-)	5	(1.196.982)	(691.291)
Profit before tax		67.876	477.656
Tax expense			
- Current tax expense		(48.849)	(175.154)
- Deferred tax income/(expense)		(14.182)	67.932
Profit for the year		4.846	370.434
Profit attributable to:			
Non-controlling interests		(21.870)	(13.556)
Attributable to equity holders of the parent		26.716	383.990
Earnings per shares attributable to equity holders of the parent from (in full Kuruş)	4	0,0076	0,1097
Earnings per diluted shares attributable to equity holders of the parent from (in full Kuruş)	4	0,0076	0,1097

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2015

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

		Current Period	Prior Period
		Unaudited	Unaudited
	<i>Notes</i>	1 January 2015 – 31 March 2015	1 January 2014 – 31 March 2014
Profit for the period		4.846	370.434
Other comprehensive income items not to be reclassified to profit or loss:			
Actuarial loss from employee benefits	11	(640)	(1.425)
Tax effect of actuarial loss from employee benefits		128	285
Other comprehensive income items to be reclassified to profit or loss:			
Change in foreign currency translation differences		(9.914)	2.919
Cash flow hedges-effective portion of changes in fair value	17	(60.498)	(28.733)
Tax effect of cash flow hedges-effective portion of changes in fair value	17	12.100	5.747
Hedge of net investment in a foreign operation	17	(743)	5.760
Tax effect of hedge of net investment in a foreign operation	17	148	(1.151)
Other comprehensive income, net of tax		(59.419)	(16.598)
Total comprehensive income		(54.573)	353.836
Appropriation of total comprehensive income:			
Non-controlling interest		(21.870)	(13.556)
Attributable to equity holders of the parent		(32.703)	367.392

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2015

(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	Non-controlling interest 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 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	--	--	--	--	--	--	--	--	--	--	--	383.990	383.990	(13.556)	370.434
Other comprehensive income	--	--	--	--	--	(1.140)	4.609	(22.986)	2.919	--	--	--	(16.598)	--	(16.598)
Total comprehensive income	--	--	--	--	--	(1.140)	4.609	(22.986)	2.919	--	--	383.990	367.392	(13.556)	353.836
Transfer to retained earnings	--	--	--	--	--	--	--	--	--	--	1.303.045	(1.303.045)	--	--	--
Non-controlling interest before reclassification to minority put option liability	--	--	--	--	--	--	--	--	--	--	--	--	--	251.138	251.138
Non-controlling put option liability (Note 13)	--	--	(26.280)	--	--	--	--	--	--	--	--	--	(26.280)	(237.582)	(263.862)
Balance at 31 March 2014	3.500.000	(239.752)	(259.087)	9.528	(858.134)	(368.137)	(65.781)	23.834	61.024	2.049.085	1.432.151	383.990	5.668.721	--	5.668.721
Balance at 1 January 2015	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
Net profit for the period	--	--	--	--	--	--	--	--	--	--	--	26.716	26.716	(21.870)	4.846
Other comprehensive income	--	--	--	--	--	(512)	(595)	(48.398)	(9.914)	--	--	--	(59.419)	--	(59.419)
Total comprehensive income	--	--	--	--	--	(512)	(595)	(48.398)	(9.914)	--	--	26.716	(32.703)	(21.870)	(54.573)
Transfer to retained earnings	--	--	--	--	--	--	--	--	--	166.585	--	(166.585)	--	--	--
Non-controlling interest before reclassification to non-controlling interest put option liability	--	--	--	--	--	--	--	--	--	--	--	--	--	212.598	212.598
Non-controlling interest put option liability (Note 13)	--	--	(33.405)	--	--	--	--	--	--	--	--	--	(33.405)	(190.728)	(224.133)
Accrued dividend (Note 16)	--	--	--	--	--	--	--	--	--	--	--	(1.840.854)	(1.840.854)	--	(1.840.854)
Balance at 31 March 2015	3.500.000	(239.752)	(260.470)	9.528	(858.134)	(382.880)	(64.198)	(108.911)	38.789	2.289.383	446.307	26.716	4.396.378	--	4.396.378

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TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTH PERIOD ENDED

31 MARCH 2015

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

	Notes	Current Period	Prior Period
		Unaudited	Unaudited
		1 January 2015 -31 March 2015	1 January 2014 – 31 March 2014
Net Profit		4.846	370.434
Adjustments to reconcile net profit to cash provided by operating activities:			
Depreciation and amortisation expenses		521.057	476.659
Impairment		2.999	--
Tax expense		63.031	107.221
Gain on sale of property, plant and equipment		(11.203)	(109.131)
IFRIC 12 construction (revenue) / cost, net		(4.542)	(1.097)
Interest income and (expense), net		(6.132)	41.468
Unrealised foreign currency exchange differences		858.198	217.629
Reversal of doubtful receivables		(46.788)	(44.720)
Allowance for doubtful receivables		100.372	74.293
Provision for employee termination benefits		22.489	23.031
Provision for employee benefits, net		42.124	130.328
Change in litigation provision, net		35.230	20.916
Change in unused vacation provision		8.496	11.627
Loss on derivative financial instruments, net		77.564	611
Gain on derivative financial instruments, net		(234.055)	(41.686)
Obsolete inventory provision / (reversal), net		62	571
Other provisions		2.656	(1.291)
Operating profit before working capital changes		1.436.404	1.276.863
Net working capital changes in:			
Increases in trade receivables		(119.449)	(135.794)
Increases in other current assets		(227.215)	(151.119)
Decrease/(increase) in inventories		15.194	(10.694)
Increases in trade payables		(350.427)	(431.055)
Decrease/(increase) in other non-current assets		(5.995)	1.903
Increases in other current liabilities and provisions		(39.614)	100.025
Increases in other non-current liabilities		(8.363)	(62.692)
Decrease/(increase) in restricted cash		(38.122)	24.469
Cash flow from operating activities			
Payments of employee termination benefits	11	(6.600)	(3.471)
Payments of provisions		(1.455)	(12.681)
Payments of tax		(187.755)	(71.094)
Interest received		33.635	37.097
Net cash provided by operating activities		500.238	561.757
Investing activities			
Proceeds from sale of property, plant, equipment and intangible assets		14.176	139.126
Purchases of property, plant, equipment and intangible assets		(264.796)	(255.674)
Net cash used in investing activities		(250.620)	(116.548)
Cash flows from financing activities			
Proceeds from bank borrowings		295.728	2.170.478
Repayment of bank borrowings		(119.216)	(2.102.209)
Proceeds from finance leases		592	--
Repayment of obligations under finance leases		(2.658)	(2.563)
Interest paid		(29.939)	(54.386)
Derivative instrument payments		(10.037)	29.111
Interest received		58.710	20.200
Net cash used in financing activities		193.180	60.631
NET INCREASE IN CASH AND CASH EQUIVALENTS		442.798	505.841
FOREIGN EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		(11.832)	(10.108)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		2.270.791	697.377
Cash and cash equivalents at the end of the period	6	2.701.757	1.193.110

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2015

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

1. REPORTING ENTITY

Türk Telekomünikasyon Anonim Şirketi (“Türk Telekom” or “the Company”) is a joint stock company incorporated in Turkey. The Company has its history in the 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 March 2015 and 31 December 2014, 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.

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2015

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

1. REPORTING ENTITY (CONTINUED)

4G License

The outlines of 4G license tender is announced with the resolution of Ministry of Councils published on Official Gazette dated 18 March 2015 “Decision on the Determination of Minimum Prices in Relation to the Tender of Frequencies with Integrated Microwave Technologies (“IMT”) Authorization”. On 10 April 2015, ICTA has announced that 4G license tender date is scheduled to be held on 26 May 2015. With this tender for 800, 900, 1800, 2100 and 2600 MHz frequencies, 390,4 MHz bandwidth license in aggregate will be put up for sale. As a result of the tender, for 800, 900, 1800 and 2100 MHz frequency bands; three operators will be authorized at most including operators with Mobile Concession Agreement and IMT-2000/UMTS Concession Agreement, for 2600 MHz frequency band; four operators will be authorized at most including three Mobile Concession Agreements and a IMT-2000/UMTS Concession Agreement and concession period will last until 30 April 2029 commencing with the authorization date. Group management is continuing to evaluate the Group’s participation in the tender.

The details of the Company’s subsidiaries as at 31 March 2015 and 31 December 2014 are as follows:

Name of Subsidiary	Place of incorporation and operation	Principal activity	Functional Currency	Effective ownership of the Company (%)	
				31 March 2015	31 December 2014
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
Assist Rehberlik ve Müşteri Hizmetleri Anonim Şirketi (“Assist”)	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
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 EOOD (“TTINT Bulgaria”)(*)	Bulgaria	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International CZ s.r.o (TTINT Czech Republic”)(*)	Czech Republic	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
TTINT Telcomd.o.o Beograd (“TTINT Serbia ”)(*)	Serbia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
TTINT Telekomunikacijed.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 Limited (*)	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	100
Net Ekran TV ve MedyaHiz. A.Ş. (“Net Ekran 1”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran TV ve MedyaHiz. A.Ş. (“Net Ekran 2”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran TV ve MedyaHiz. A.Ş. (“Net Ekran 3”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran TV ve MedyaHiz. A.Ş. (“Net Ekran 4”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran TV ve MedyaHiz. A.Ş. (“Net Ekran 5”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran TV ve MedyaHiz. A.Ş. (“Net Ekran 6”)	Turkey	Television and radio broadcasting	Turkish Lira	100	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	100
Fleksus Mobil Finans ve Dağıtım Telekomünikasyon Hizmetleri A.Ş.	Turkey	Mobile finance	Turkish Lira	100	100

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

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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 average number of personnel subject to collective agreement as at 31 March 2015 is 12.033 (31 December 2014: 13.280) and the average number of personnel not subject to collective agreement as at 31 March 2015 is 21.370 (31 December 2014: 21.075). The number of personnel as at 31 March 2015 and 31 December 2014 are 33.313 and 34.389, respectively.

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 interim condensed summary of consolidated financial statements

a) Preparation of financial statements

The accompanying consolidated financial statements are based 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 serial II, No: 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.

For the three month period ended 31 March 2015, the Group prepared its interim condensed consolidated financial statements in accordance with the Turkish Accounting Standard No.34 “Interim Financial Reporting”. Interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Group’s annual financial statements as of 31 December 2014.

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 2013.

The accompanying consolidated financial statements as of 31 March 2015 are approved by the Company’s Board of Directors on 20 April 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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.1 Basis of presentation of the interim condensed 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 non-controlling interest 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, non-controlling interest put option liabilities and derivative financial liabilities are valued with fair values as of balance sheet date.

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.

f) Significant accounting assessments, estimates and assumptions

In order to prepare financial statements in accordance with TFRSs, certain assumptions affecting notes to the financial statements and critical accounting estimations related to assets, liabilities, contingent assets and contingent liabilities are required to be used. Although these estimations are made upon the best afford of the management by interpreting the cyclical circumstances, actual results may differ from the forecasts. Issues that are complex and needs further interpretation, which might have a critical impact on financial statements. There is no change in judgments and critical accounting estimates used in interim condensed consolidated financial statements as of 31 March 2015.

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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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

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

Determination of fair values (continued)

i) Trade and other receivables

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

ii) Derivatives

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

iii) Bills, bonds and notes issued

The fair values of bills, bonds and notes issued are determined with reference to their quoted price at the measurement date. Subsequent to initial recognition, the fair values of bills, bonds and notes issued are determined for disclosure purposes only.

iv) Other non-derivative financial liabilities

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

2.2 Changes in accounting policies, comparative information and restatement of prior periods' financial statements

Classifications applied to financial statements as of 31 March 2014

The reclassifications at the Group's consolidated financial statements as at 31 March 2014 are follows:

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 42.405 is reclassified to other current assets from restricted cash so as to be compared with the financial statements as 31 March 2015.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies

a) Standards effective from 2015 and standards and interpretations issued but not yet effective

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.

IFRS 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 2018. Phase 1 of this new IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to IFRS 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.

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 IFRS 11 – Accounting for acquisition of interests in joint operations

The amendments clarify whether IFRS 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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies (continued)

a) Standards effective from 2015 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

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

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

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

IFRS 9 Financial Instruments (2014)

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from TAS 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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies (continued)

a) Standards effective from 2015 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 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.

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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 Summary of significant accounting policies (continued)

a) Standards effective from 2015 and standards and interpretations issued but not yet effective (continued)

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).

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3. SEASONAL CHANGES IN THE OPERATIONS

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

4. EARNINGS PER SHARE

	1 January – 31 March 2015	1 January – 31 March 2014
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	26.716	383.990
Basic and earnings per share (in full kuruş)	0,0076	0,1097

5. SEGMENT REPORTING

The Group has two main segments: Fixed line and mobile. Fixed line services are provided by Türk Telekom, TNet, Argela, Innova, Sebit, AssisTT and TTINT Group whereas mobile 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 and balance sheet items are presented below:

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5. SEGMENT REPORTING (CONTINUED)

	Fixed Line		Mobile		Intra-group eliminations		Consolidated	
	1 January – 31 March 2015	1 January – 31 March 2014	1 January – 31 March 2015	1 January – 31 March 2014	1 January – 31 March 2015	1 January – 31 March 2014	1 January – 31 March 2015	1 January – 31 March 2014
Revenue								
GSM	-	-	1.166.441	957.083	-	-	1.166.441	957.083
ADSL	952.462	897.477	-	-	-	-	952.462	897.477
Domestic PSTN	701.831	775.597	-	-	-	-	701.831	775.597
Data service and leased line revenue	317.860	285.870	-	-	-	-	317.860	285.870
International revenue	123.449	133.195	-	-	-	-	123.449	133.195
Domestic interconnection revenue	78.095	87.410	-	-	-	-	78.095	87.410
IFRIC12 revenue	39.481	9.532	-	-	-	-	39.481	9.532
Rental income from GSM operators	21.565	19.704	-	-	-	-	21.565	19.704
Other	149.771	137.106	-	-	-	-	149.771	137.106
Eliminations	-	-	-	-	(116.735)	(108.267)	(116.735)	(108.267)
Total revenue	2.384.514	2.345.891	1.166.441	957.083	(116.735)	(108.267)	3.434.220	3.194.707
Cost of sales and operating expenses (excluding depreciation and amortization)	(1.270.248)	(1.356.553)	(954.105)	(849.091)	115.384	107.533	(2.108.969)	(2.098.111)
Other income/(expense) and income/(expense) from investing activities	(2.410)	111.953	(21.158)	1.141	(282)	(837)	(23.850)	112.257
Depreciation and amortization	(302.870)	(282.203)	(218.566)	(193.002)	379	(1.454)	(521.057)	(476.659)
Impairment on tangible and intangible assets	-	-	(2.999)	-	-	-	(2.999)	-
EBITDA	1.119.016	1.092.763	211.998	108.650	(1.632)	(1.565)	1.329.382	1.199.848
Doubtful receivable provision expense	(28.812)	(11.945)	(24.772)	(17.628)	-	-	(53.584)	(29.573)
Capital expenditure (*)	155.304	152.009	158.016	124.364	168	2.782	313.488	279.155
Contribution to the consolidated revenue (**)	2.282.667	2.262.207	1.151.553	932.500	-	-	3.434.220	3.194.707
Contribution to the consolidated EBITDA (***)	1.044.079	1.037.815	285.303	162.033	-	-	1.329.382	1.199.848

(*) Capital expenditures do not include TL 4.542 (31 March 2014: TL 1.097) amounted profit margin which is capitalized on intangible assets that are accounted within the scope of IFRIC 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 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 financial statements and because of this there is no change at the segment information disclosed. However, contribution of operating segments on the Group’s revenue is presented to give additional information to the readers of the financial statements.

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5. SEGMENT REPORTING (CONTINUED)

	1 January – 31 March 2015	1 January – 31 March 2014
Fixed line segment EBITDA	1.119.016	1.092.763
Mobile segment EBITDA	211.998	108.650
Inter-segment eliminations	(1.632)	(1.565)
Consolidated EBITDA	1.329.382	1.199.848
Foreign exchange gains, interest income, discount income on current accounts presented in other operating income	57.095	51.920
Foreign exchange losses, interest expense, discount expense on current accounts presented in other operating expense (-)	(85.076)	(42.915)
Financial income	487.513	436.753
Financial expenses (-)	(1.196.982)	(691.291)
Depreciation, amortisation and impairment	(524.056)	(476.659)
Consolidated profit before tax	67.876	477.656

31 March 2015	Fixed Line	Mobile	Eliminations	Other unallocated amounts (*)	Consolidated
Total segment assets	16.780.092	5.667.079	(1.773.903)	-	20.673.268
Total segment liabilities	(13.874.144)	(3.722.774)	1.771.225	(451.197)	(16.276.890)

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)	1.671.839	(439.664)	(13.574.445)

(*) Includes non-controlling interest put option liability amounting to TL 451.198 (31 December 2014: TL 439.664).

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6. CASH AND CASH EQUIVALENTS

	31 March 2015	31 December 2014
Cash on hand	620	447
Cash at banks– demand deposit	382.609	358.367
Cash at banks– time deposit	2.622.612	2.176.019
Other	1.697	3.613
	3.007.538	2.538.446

As of 31 March 2015, time deposits are all short-term, maturing within one month and denominated in both foreign currencies and TL. The interest rates are between 5,00% -11,65% for TL deposits, between 0,15% - 2,75% for US Dollar deposits and between 0,10% - 2,01% for Euro deposits (31 December 2014: for TL deposits between 6,0% and 11,90%, for US Dollar deposits between 0,15% and 2,50%, for Euro deposits between 0,10% and 2,15%).

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

	31 March 2015	31 March 2014
Cash and cash equivalents	3.007.538	1.476.031
Less: restricted amounts		
- Collection protocols	(301.393)	(274.489)
- ATM collection	(3.630)	(6.696)
- Other	(758)	(1.736)
Unrestricted cash	2.701.757	1.193.110

As of 31 March 2015, demand deposits amounting to TL 301.393 (31 March 2014: TL 274.489) 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 3.630 arising from collections through automated teller machine (“ATM”) is not available for use at 31 March 2015 (31 March 2014: TL 6.696).

As of 31 March 2015, the Group has bank loans amounting to USD 11.100 which have been committed by banks and not utilized yet, having a maturity date on 29 April 2016 (31 December 2014: US Dollar 45.893).

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7. DUE FROM AND DUE TO RELATED PARTIES

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

Institutions under state control are defined as related parties due to 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 March 2015 and 31 December 2014 are disclosed below:

	31 March 2015	31 December 2014
Due from related parties		
Parent company		
Saudi Telecom Company ("STC") (2)	5.728	16.602
Other related parties		
Oger Telekom Yönetim Hizmetleri Limited Şirketi ("OTYH") (1)	2	37
Oger Systems Company Ltd. (1)	1.038	1.118
Other	42	-
	6.810	17.757
Due to related parties		
Parent company		
STC (2)	714	650
Other related parties		
OTYH (1)	8.086	7.154
Oger Telecom Ltd.	108	67
Oger Telecom South Africa (Proprietary) Limited (1)	17	17
	8.925	7.888

(1) A subsidiary of Oger Telecom

(2) Shareholder of Oger Telecom

Transactions with shareholders:

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 their net revenues of each year and ICTA share at 0,35% of revenues to the Ministry of Transport, Maritime Affairs and Communications under the law Global Service Act numbered 5369.

As of 31 March 2015, unpaid portion of Treasury Share, universal service fund and ICTA share are recorded under other short term payables and these expenses are accounted in cost of sales account.

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7. DUE FROM AND DUE TO RELATED PARTIES

Guarantees provided to related parties:

The guarantees given by the Company to support the long term financing of related parties are explained in Note 8.

Other payables to related parties:

	31 Mart 2015	31 Aralık 2014
Accrued dividend to shareholders (Note 16)	1.840.854	-
	1.840.854	-

In Ordinary General Assembly meeting held on 31 March 2015, it has been decided by unanimous vote that TL 1.840.853 total gross cash dividend (0.525958 Kuruş (52.5958%) per each share with a nominal value of 1 Kuruş) shall be distributed to shareholders. The distribution of the cash dividends to shareholders will begin on May 28, 2015.

Transactions with other related parties:

Postage services have been rendered by PTT to the Company.

Operational lease payments made to PTT by the Company as part of the lease agreement amounts to TL 23.097 (31 Mart 2014: TL 17.057).

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 three month period ended 31 March 2015, total revenues and expenses incurred in relation to these services amounted to TL 5.114 and TL 249, respectively (31 March 2014: TL 7.633 revenues and TL 249 expenses).

Compensation of key management personnel

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

	1 January - 31 March 2015	1 January - 31 March 2014
Short-term benefits	12.416	21.582
Wage	7.801	3.225
Bonus and attendace fees	3.783	1.118
Post employment benefits to key management	832	17.239
Long-term defined benefit plans	573	254
Social Security Institution premimums (SSI)	573	254
	12.989	21.836

Furthermore, OTMSC charged to the Company a consultancy fee amounting to TL 7.381 (2014: TL 6.569), and an expense fee amounting to TL 26 (2014: TL 30) for the three period ended 31 March 2015. OTASC’s ultimate shareholder is Saudi Oger. Based on the contract between OTMSC and the Company, 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 and terminated on 15 April 2015 and the parties are negotiating on a new contract.

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8. FINANCIAL LIABILITIES

Bank borrowings

	31 March 2015			31 December 2014		
	Weighted average nominal interest rate (%)	Original amount	TL equivalent	Weighted average nominal interest rate (%)	Original amount	TL equivalent
Short-term borrowings:						
TL bank borrowings with fixed interest rates	8,83	239.512	239.512	11,85	28.503	28.503
Interest accruals:						
TL bank borrowings with fixed interest rates		1.536	1.536		911	911
Short-term borrowings			241.048	29.414		
Short-term portion of long-term bank borrowings:						
TL bank borrowings with fixed interest rates	11,50	24.000	24.000	-	-	-
USD bank borrowings with fixed interest rates	3,04	48.094	125.535	3,04	46.731	108.365
USD bank borrowings with variable interest rates (*)	2,95	149.539	390.327	2,95	151.006	350.168
Euro bank borrowings with variable interest rates (**)	1,68	73.254	207.375	1,89	72.952	205.773
Interest accruals of long-term bank borrowings:						
TL bank borrowings with fixed interest rates		728	728		-	-
USD bank borrowings with fixed interest rates		2.042	5.331		830	1.925
USD bank borrowings with variable interest rates (*)		11.527	30.088		8.652	20.063
Euro bank borrowings with variable interest rates (**)		4.190	11.861		1.723	4.860
Short-term portion of long-term bank borrowings			795.245	691.154		
Total short-term borrowings			1.036.293	720.568		
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	158.028	412.485	3,04	160.751	372.765
USD bank borrowings with variable interest rates (*)	2,95	1.551.781	4.050.459	2,95	1.566.958	3.610.430
Euro bank borrowings with variable interest rates (**)	1,68	647.522	1.833.072	1,89	648.916	1.830.401
Total long-term borrowings			6.296.016	5.837.599		
Total financial liabilities			7.332.309	6.558.167		

(*) As at 31 March 2015, interest rate varies between Libor + 0,80% and 3,40% (31 December 2014: Libor + 0,80% and 3,40%)

(**) As at 31 March 2015, interest rate varies between Euribor + 0,25% and 3,00% (31 December 2014: Euribor + 0,25% and 3,00%)

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8. FINANCIAL LIABILITIES (CONTINUED)

Bank borrowings (continued)

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

	31 March 2015					31 December 2014				
	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	91.048	174.728	-	-	265.776	-	29.414	24.003	-	53.417
USD bank borrowings with fixed interest rates	62.153	68.713	400.161	12.324	543.351	6.265	104.025	361.818	10.947	483.055
USD bank borrowings with variable interest rates	97.720	322.695	3.108.653	941.806	4.470.874	110.080	260.151	2.622.615	987.815	3.980.661
Euro bank borrowings with variable interest rates	110.293	108.943	1.511.808	321.264	2.052.308	7.867	202.766	1.403.911	426.490	2.041.034
	361.214	675.079	5.020.622	1.275.394	7.332.309	124.212	596.356	4.412.347	1.425.252	6.558.167

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8. FINANCIAL LIABILITIES (CONTINUED)

Bill, bonds and notes issued

	31 March 2015			31 December 2014		
	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	13.036	34.026	4,54	2.132	4.943
Short-term bills, bonds and notes issued		13.036			2.132	4.943
Long-term bills, bonds and notes issued:						
USD bank borrowings with fixed interest rates	4,54	989.578	2.582.996	4,54	989.578	2.294.732
Total long-term bills, bonds and notes issued		989.578	2.582.996		989.578	2.294.732
Total financial liabilities		1.002.613	2.617.022		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 March 2015, maturity period of accrued interests of the short term bonds amounting to TL 34.026 is between 0 to 3 months. Maturity periods of long term bonds amounting to TL 1.288.581 is over 5 years and TL 1.294.415 is between 1-5 years.

As of 31 March 2015, 400.000 USD amounting guarantee is given for financial liabilities of Avea which are amounting to 230.000 USD and 133.125 EUR.

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9. TRADE RECEIVABLES FROM AND PAYABLES TO THIRD PARTIES

Trade receivables

	31 March 2015	31 December 2014
Short-term		
Trade receivables	4.431.237	4.308.489
Other trade receivables	99.504	92.683
Income accruals	444.777	446.502
Allowance for doubtful receivables (-)	(1.785.615)	(1.732.493)
Total short-term trade receivables	3.189.903	3.115.181
Long-term		
Trade receivables	39.456	40.113
Total long-term trade receivables	39.456	40.113

Trade receivables generally have a maturity term of 30 days on average (31 December 2014: 30 days).

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

	1 January 2015 - 31 March 2015	1 January 2014 - 31 March 2014
At January 1	(1.732.493)	(1.532.987)
Provision for the year	(100.227)	(74.060)
Reversal of provision - collections	46.692	44.575
Write off of doubtful receivables	509	5
Change in currency translation differences	(96)	(127)
At 31 March	(1.785.615)	(1.562.594)

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 March 2015 and 31 December 2014, 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 March 2015	3.229.359	2.264.962	278.633	137.570	69.443	70.213	172.051	236.487
31 December 2014	3.155.294	2.215.446	273.435	117.343	68.512	77.805	162.108	240.645

Receivables guaranteed of the Group are amounted to TL 17.002 (31 December 2014: TL 25.331).

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

Trade payables

	31 March 2015	31 December 2014
Short-term		
Trade payables	772.778	1.238.250
Expense accruals	456.897	293.695
Other trade payables	9.033	9.216
Total short-term trade payables	1.238.708	1.541.161
Long-term		
Trade payables	60	613
Total long-term trade payables	60	613

Trade payables amounting to TL 65 as at 31 March 2015 (31 December 2014: TL 598) represent payable to suppliers due to Turkish Armed Forces for Turkish Armed Forces Integrated Communication Systems (“TAFICS”) projects (Note 12).

The average maturity term of trade payables is between 30 and 90 days (31 December 2014: 30 and 90 days).

As of 31 March 2015, long-term trade payables related with TTINT’s indefeasible right of use contract payables having a maturity of more than 1 year.

10. TANGIBLE AND INTANGIBLE ASSETS, INVESTMENT PROPERTY AND NON-CURRENT ASSETS HELD FOR SALE

The amount of tangible and intangible assets purchased during the three month period ended 31 March 2015 is TL 313.488 (31 March 2014: TL 279.155).

Net book value of tangible and intangible assets sold during the three month period ended 31 March 2015 amounted to TL 2.974 (31 March 2014: TL 30.032).

As of 31 March 2015, based on the decision of Board of Directors to sell 102 different real estates, these assets were classified as held for sale (31 March 2015: TL 25.680, 31 December 2014: 26.367). The assets are measured at the lower of their carrying value and fair value less costs to sell.

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11. PROVISIONS

Short-term provisions for employee benefits

	31 March 2015	31 December 2014
Short term provisions for employee benefits		
Personnel bonus provision	201.339	160.050
	201.339	160.050

The movement of provisions is as follows:

	1 January – 31 March 2015	1 January – 31 March 2014
Provisions at 1 January	160.050	829
Provision for the period	42.124	130.328
Provisions paid	(872)	-
Foreign currency translation difference	37	5
Provisions at 31 March	201.339	131.162

Long term employee benefits excluding defined benefit obligation

	31 March 2015	31 December 2014
Long term provisions for employee benefits		
Unused vacation provisions	77.009	68.907
	77.009	68.907

The movement of provisions is as follows:

	1 January – 31 March 2015	1 January – 31 March 2014
As of January 1	68.907	64.378
Provision for the period	15.389	16.836
Provisions paid	(406)	(637)
Reversals	(6.893)	(5.209)
Foreign currency translation difference	12	16
Liabilities as at 31 March	77.009	75.384

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11. PROVISIONS (continued)

Other long-term provisions (continued)

	31 March 2015	31 December 2014
Provision for the investments under the scope of IFRIC 12	7.622	7.593
	7.622	7.593

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 March 2015 is subject to a ceiling of full TL 3.541,37 (31 December 2014: full TL 3.438,22) per monthly salary for each service year.

In addition to retirement benefits, the Group is liable for certain other long-term employment benefits such as business, service, representation indemnity and jubilee.

	1 January – 31 March 2015	1 January – 31 March 2014
Defined benefit obligation at January 1	555.595	585.394
Service cost	10.320	11.036
Interest cost	12.169	11.995
Actuarial loss (*)	640	1.425
Benefits paid	(6.600)	(3.471)
Foreign currency translation difference	(14)	(24)
Liabilities as at 31 March	572.110	606.355

(*) As at 31 March 2015, actuarial loss amounting to TL 640 (31 March 2014: TL 1.425) is recognized in other comprehensive income.

Total expense recognized in the consolidated income statement:

	1 January – 31 March 2015	1 January – 31 March 2014
Service cost	10.320	11.036
Interest cost	12.169	11.995
Total net cost recognized in the consolidated statement of income	22.489	23.031

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11. PROVISIONS (continued)

Defined benefit obligation (continued)

Principal actuarial assumptions used:

	31 March 2015	31 December 2014
Discount rate	9,3%	9,3%
Expected rate of ceiling increases	5,5%	5,5%

For the years ahead, voluntary employee withdrawal of the Group changes from 0,60% and 14,90% depending on age (2014: 0,62% - 18,25%).

12. OTHER ASSETS, OTHER LIABILITIES AND EMPLOYEE BENEFIT OBLIGATIONS

Other current assets

	31 March 2015	31 December 2014
Intermediary services for collection (*)	119.444	95.180
TAFICS projects	44.885	44.793
Value Added Tax (“VAT”) and Special Communication Tax (“SCT”)	11.333	27.477
Advances given (**)	27.372	18.144
Other current assets	1.651	2.070
	204.685	187.664

(*) 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 March 2015	31 December 2014
Intermediary services for collection	26.246	21.037
Other non-current assets	13	3
	26.259	21.040

Intermediary services for collection consists of advances given by Avea to its distributors.

Other current liabilities

	31 March 2015	31 December 2014
Advances received	43.373	42.731
Other liabilities	4.676	7.355
	48.049	50.086

The Company acts as an intermediary of 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.

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12. OTHER ASSETS, OTHER LIABILITIES AND EMPLOYEE BENEFIT OBLIGATIONS (CONTUNUED)

Employee benefit obligations

	31 March 2015	31 December 2014
Social security premiums payable	42.894	41.567
Payables to personnel	32.153	196.783
Employee's income tax payables	22.465	37.417
	97.512	275.767

13. NON-CONTROLLING INTEREST 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:

- If an IPO for Avea does not take place before 1 January 2011, then starting from 1 December 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.
- 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.
- 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. The put option shall solely be exercised following an IPO.

While determining fair value of non-controlling interest put option liability as of 31 March 2015, 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 March 2015. The fair value of the non-controlling interest put option liability as at 31 March 2015 amounts to TL 451.198 (31 December 2014: TL 439.664). In accordance with Group’s accounting policies, the change in fair value of the non-controlling interest put option liability between 31 March 2015 and 31 December 2014 is accounted in non-controlling interest put option liability reserve in equity.

In order to reflect the non-controlling interest put option liability in the consolidated financial statements, the non-controlling interest (after giving the effect of loss) as at 31 March 2015, amounting to negative TL 190.728 (31 December 2014: TL 212.599), is reclassified from equity to “non-controlling interest put option liability” under short-term liabilities after appropriation of profit / loss to the non-controlling interest for the year. The fair value of non-controlling interest put option liability, has been determined as TL 451.198 (31 December 2014: TL 439.664), and the difference of amounting to TL 260.470 (31 December 2014: TL 227.065) is reflected in equity as “non-controlling interest put option liability reserve”, based on the Group’s accounting policy for the acquisition of non-controlling interest.

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13. NON-CONTROLLING INTEREST PUT OPTION LIABILITY (CONTINUED)

The value of non-controlling interest 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 non-controlling interest 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 March 2015.

14. COMMITMENTS AND CONTINGENCIES

Guarantees received and given by the Group are summarized below:

		31 March 2015		31 December 2014	
		Original currency	TL	Original currency	TL
Guarantees received	USD	193.938	506.218	198.592	460.515
	TL	768.383	768.383	791.582	791.582
	Euro	64.129	181.543	7.130	20.111
		1.456.144		1.272.208	
Guarantees given (*)	USD	159.287	415.770	158.138	366.707
	TL	170.064	170.064	152.767	152.767
	Euro	182.273	515.997	182.217	513.980
	AED	-	-	100	61
	Other	38	24	20	13
Total		1.101.855		1.033.528	

(*) Guarantees given amounting to US Dollar 151.500 (31 December 2014: 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 2014: Euro 12.840) is related with the guarantee provided for 3G license.

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14. COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Company’s guarantee, pledge and mortgage (“GPM”) position as at 31 March 2015 and 31 December 2014 is as follows:

GPMs given by the Company	31 March 2015	31 December 2014
A.GPMs given on behalf of the Company's legal personality	1.101.855	1.033.528
B.GPMs given in favor of subsidiaries included in full consolidation	977.805	909.929
C.GPMs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	1.059.074	838.067
D.Other GPMs	-	-
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	-	-
iii. GPMs given in favor of third party companies not in the scope of C above	-	-
Total	3.138.734	2.781.524

GPMs given by the Group as at 31 March 2015 are equivalent to 0,71% of the Company’s equity (31 December 2014: 0,44%).

Based on law 128/1 of Turkish Code of Obligations, Avea has given guarantee to distributors amounting to TL 1.059.074 for the financial obligation that would arise during the purchase of devices that will be sold as commitment sales by Avea (31 December 2014: TL 838.067).

Other commitments

The Group has purchase commitments for sponsorships and advertising services at the amounting to US Dollar 32.500, Euro 2.067 and TL 312.070, equivalent to TL 402.753 (31 December 2014: TL 91.234) as at 31 March 2015. 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 11.651, Euro 7.054, GBP 150 and TL 516.209, equivalent to TL 567.171 (31 December 2014: TL 437.467) as at 31 March 2015.

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 three months interim period ended 31 March 2015. Total provision in relation to these litigations amounted to TL 91.860, including for principal and interest, as of 31 March 2015 (31 December 2014: TL 91.884).

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14. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Legal proceedings of Türk Telekom

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 12.728 (31 December 2014: TL 11.035) is provided as of 31 March 2015 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 17.957. A cumulative provision amounting to TL 45.803 (31 December 2014: TL 45.301) including the nominal amount and legal interest charges is recognized as at 31 March 2015.

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 March 2015 TL 38.031 provision provided for ICTA penalties and amounts to be repaid to customers due to ICTA resolutions (31 December 2014: TL 38.749).

Disputes related to Avea’s SCT

General Directorate of Revenue Administration has started a tax investigation about practice for computation of Special Communication Tax (“SCT”) based on the revenue generated from prepaid cards to distributors and dealers.

As of 31 March 2015, a provision amounting to TL 58.129 is recognized (31 December 2014: TL 30.291).

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 29.774 as at 31 March 2015 (31 December 2014: TL 23.999). For the rest of the cases, Group lawyers commented that basis of those cases are not realistic and should be appealed. Therefore, no provision has been provided for these cases.

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15. FINANCIAL RISK MANAGEMENT AND POLICIES

Market risk

Foreign currency risk

	31 March 2015					31 December 2014				
	TL Equivalent	US Dollar	Euro	GBP	Other	TL equivalent	USD	Euro	GBP	Other
1. Trade receivables	147.125	27.652	26.034	-	1.249	167.449	32.415	31.644	2	3.018
2a. Monetary financial assets (Cash and banks accounts included)	565.154	103.306	104.378	5	-	209.276	56.734	27.545	5	-
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
3. Other	56.679	2.889	17.357	-	-	49.146	316	17.163	-	-
4. Current assets (1+2+3)	768.958	133.847	147.769	5	1.249	425.871	89.465	76.352	7	3.018
5. Trade receivables	183	70	-	-	-	4.072	1.580	145	-	-
6a. Monetary financial assets	37.048	9.106	4.691	-	-	29.787	8.254	3.775	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
7. Other	19	-	7	-	-	3.177	1.152	145	26	-
8. Non-current assets (5+6+7)	37.250	9.176	4.698	-	-	37.036	10.986	4.065	26	-
9. Total assets (4+8)	806.208	143.023	152.467	5	1.249	462.907	100.451	80.417	33	3.018
10. Trade payables	759.853	248.056	39.591	76	3	591.481	182.103	59.955	24	2
11. Financial liabilities	753.367	209.914	72.574	-	-	706.206	209.851	77.847	-	-
12a. Monetary other liabilities	41.936	6.137	9.155	-	-	18.514	2.834	4.234	-	-
12b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-
13. Short-term liabilities (10+11+12)	1.555.156	464.107	121.320	76	3	1.316.201	394.788	142.036	24	2
14. Trade payables	40	15	-	-	-	84	36	-	-	-
15. Financial liabilities	8.732.629	2.655.066	636.679	-	-	8.030.084	2.680.109	643.521	-	-
16 a. Monetary other liabilities	79.142	-	27.957	-	-	80.432	-	28.515	-	-
16 b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-
17. Long-term liabilities (14+15+16)	8.811.811	2.655.081	664.636	-	-	8.110.600	2.680.145	672.036	-	-
18. Total liabilities (13+17)	10.366.967	3.119.188	785.956	76	3	9.426.801	3.074.933	814.072	24	2
19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b)	262.802	675.000	(529.543)	-	-	70.375	500.000	(386.100)	1	-
19a. Total asset amount hedged	-	-	-	-	-	-	-	-	-	-
19b. Total liability amount hedged	(262.802)	(675.000)	529.543	-	-	(70.375)	(500.000)	386.100	(1)	-
20. Net foreign currency asset/(liability) position (9-18+19)	(9.297.958)	(2.301.165)	(1.163.032)	(71)	1.246	(8.893.519)	(2.474.482)	(1.119.755)	10	3.016
21. Net asset/(liability) position of foreign currency monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(9.617.457)	(2.979.054)	(650.853)	(71)	1.246	(9.016.217)	(2.975.950)	(750.963)	(17)	3.016
22. Fair value of FX swap financial instruments	238.663	78.246	12.160	-	-	73.967	31.897	-	-	-
23. Hedged amount of foreign currency assets	-	-	-	-	-	-	-	-	-	-
24. Hedged amount of foreign currency liabilities	262.802	675.000	(529.543)	-	-	70.379	500.000	(386.100)	1	-

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15. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

Market risk (continued)

Foreign currency risk (continued)

The Group has transactional currency exposures mainly with respect to the financial liabilities and trade payables. Foreign currency denominated borrowings are stated in Note 8.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar, Euro and other foreign currency exchange rates, 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 March 2015	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	(766.405)	766.405	(10.183)	10.183
2- Hedged portion of USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(766.405)	766.405	(10.183)	10.183
Appreciation of Euro against TL by 10%:				
4- Euro net asset/liability	(184.250)	184.250	16.504	(16.504)
5- Hedged portion of Euro risk (-)	-	-	-	-
6- Euro net effect (4+5)	(184.250)	184.250	16.504	(16.504)
Appreciation of other foreign currencies against TL by 10%:				
7- Other foreign currency net asset/liability	50	(50)	-	-
8- Hedged portion of other foreign currency (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	50	(50)	-	-
Total (3+6+9)	(950.605)	950.605	6.321	(6.321)

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15. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

Market risk (continued)

Foreign currency risk (continued)

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	(681.678)	681.678	(5.469)	5.469
2- Hedged portion of USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(681.678)	681.678	(5.469)	5.469
Appreciation of Euro against TL by 10%:				
4- Euro net asset/liability	(211.824)	211.824	16.532	(16.532)
5- Hedged portion of Euro risk (-)	-	-	-	-
6- Euro net effect (4+5)	(211.824)	211.824	16.532	(16.532)
Appreciation of other foreign currencies against TL by 10%:				
7- Other foreign currency net asset/liability	181	(181)	-	-
8- Hedged portion of other foreign currency (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	181	(181)	-	-
Total (3+6+9)	(893.321)	893.321	11.063	(11.063)

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15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

The below table summarizes the carrying and fair values of financial asset and liabilities not presented at fair value in the Group’s consolidated financial statements.

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

	Carrying amount		Fair value	
	Current Period	Prior Period	Current Period	Prior Period
Financial assets				
Cash and cash equivalents	3.007.538	2.538.446	3.007.538	2.538.446
Trade and other receivables (including related parties)	3.318.860	3.258.329	3.318.860	3.258.329
Other financial investments	11.840	11.840	(*)	(*)
Derivative financial liabilities	331.651	98.427	331.651	98.427
Financial liabilities				
Bank borrowings	7.332.309	6.558.167	7.332.309	6.558.167
Bills, bonds and notes issued	2.617.022	2.299.675	2.599.893	2.317.253
Financial leasing liabilities	18.151	19.956	18.151	19.956
Trade and other payables (including related parties)	3.790.549	2.296.135	3.790.549	2.296.135
Other financial liabilities	451.198	439.664	451.198	439.664
Derivative financial liabilities	211.790	84.591	211.790	84.591

(*) 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

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15. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

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

Fair value hierarchy table as at 31 March 2015 is as follows:

	Date of Valuation	Total	Fair Value Measurement		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets measured at fair value					
<u>Derivative Financial Assets:</u>					
Foreign currency swaps - USD Dollar / USD	31 March 2015	300.015	-	300.015	-
Interest rate swaps - USD Dollar	31 March 2015	31.636	-	31.636	-
Financial liabilities measured at fair value					
<u>Derivative Financial Liabilities:</u>					
Interest rate Swaps - USD Dollar	31 March 2015	150.438	-	150.438	-
Interest rate Swaps - EUR	31 March 2015	61.352	-	61.352	-
<u>Other financial liabilities</u>					
Non-controlling interest put option liability	31 March 2015	451.198	-	-	451.198
Other financial liabilities not measured at fair value					
Bills, bonds and notes issued	31 March 2015	2.599.893	2.599.893	-	-

Descriptions of significant unobservable inputs to valuation:

	Valuation technique	Significant unobservable inputs	Range as at 31 March 2015	Sensitivity of the input to fair value
Avea non-controlling interest 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 33.670 and if the long term revenue growth rate was set as 2%, the fair value would decrease by TL 28.860.
		WACC	16% - 16.5%	Increasing the WACC by 1%, decreases the fair value by TL 43.109, decreasing the WACC by 1%, increases the fair value by TL 50.167.

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15. 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:

	Date of Valuation	Total	Fair Value Measurement		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets measured at fair value					
<u>Derivative financial assets:</u>					
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					
<u>Derivative financial liabilities:</u>					
Interest rate swaps - USD Dollar	31 December 2014	84.592	-	84.592	-
<u>Other financial liabilities:</u>					
Non-controlling interest put option liability	31 December 2014	439.664	-	-	439.664
Other financial liabilities not measured at fair value					
Bills, bonds and notes issued	31 December 2014	2.317.253	2.317.253	-	-

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 2015 and 2014.

16. PAID IN CAPITAL, RESERVES AND RETAINED EARNINGS

Dividends

In Ordinary General Assembly meeting held on 31 March 2015, it has been decided by unanimous vote that TL 1.840.853 total gross cash dividend (0.525958 Kuruş (52.5958%) per each share with a nominal value of 1 Kuruş) shall be distributed to shareholders. The distribution of the cash dividends to shareholders will begin on May 28, 2015.

During the year ended 31 December 2014, remaining balance of 2013 distributable profit after assigning first and second legal reserves, which amounted to TL 912.131 (a dividend of full kuruş 0,2606 per share) has been committed to be distributed and distributed in cash to the shareholders.

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17. OTHER FINANCIAL INVESTMENTS AND OTHER FINANCIAL LIABILITIES

Cash flow hedges and derivative financial instruments

Interest rate swaps

The Company has also entered into an eight-part interest rate swap 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 March 2015 fair value of derivative transactions amounting to TL 150.438 has been recognised under long term financial liabilities (31 December 2014: TL 84.592). Unrealised loss on these derivatives amounting to TL 60.498 (31 December 2014: TL 133.058 loss) is recognised in other comprehensive income. Unrealised loss on these derivatives' time value amounting to TL 5.348 (31 March 2014: TL 8.948 loss) is recognised in statement of profit or loss.

Company	Notional Amount (USD Dollar)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 March 2015 (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	(48.627)
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	(12.697)
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	(4.080)
Türk Telekom	300.000	29 April - 20 May 2014	19 June 2024	Pay fixed rates between June 2016 and June 2024, and receive floating rates	(66.937)
Türk Telekom	150.000	15 - 16 May 2014	20 June 2024	Pay floating price between May 2014 August 2024 and receive fixed premium in certain interest rate corridors through interest option strategies	(18.097)
					(150.438)

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17. 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 2016 and June 2024, and receive floating rates	(40.556)
Türk Telekom	150.000	15 - 16 May 2014	20 June 2024	Pay floating price between May 2014 August 2024 and receive fixed premium in certain interest rate corridors through interest option strategies	(9.831)
					(84.592)

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 March 2015 fair value of the ineffective portion of the interest rate swap transactions and time value amounting to TL 31.636 is recognised under long term financial assets (31 December 2014: TL 24.395 assets). Unrealised gain on these derivatives amounting to TL 7.241 (31 March 2014: TL 36.160 gain) is recognised in profit or loss.

Company	Notional Amount (USD Dollar)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 March 2015 (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%)	11.541
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%)	4.084
Türk Telekom	300.000	29 April – 20 May 2014	19 August 2024	Pay the difference between floating rate and 4% if floating rate exceeds 4%, between August 2016 and August 2021, and receive fixed premium (0,44%-0,575%) Pay the difference between floating rate and 6% if floating rate exceeds 6%, between August 2021 and August 2024, and receive fixed premium (0,39%-0,45%)	16.011
					31.636

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17. OTHER FINANCIAL INVESTMENTS AND OTHER FINANCIAL LIABILITIES (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 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	300.000	29 April – 20 May 2014	19 June 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

The Company has also entered into three-part USD cross currency transactions at 11 September 2014 and 6 January 2015 with maturity dates on 19 June 2019 and 2014 with a total notional amount of USD 675.000. As of 31 March 2015, fair value of derivative transactions amounting to TL 300.015 (31 December 2014: TL 73.967) is recognized under short term financial assets. Unrealized gain on these derivatives amounting to TL 226.048 is recognized in profit or loss.

Company	Notional Amount (USD)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 March 2015 (TL)
Türk Telekom	675.000	11 September 2014 - 6 January 2015	19 June 2019 - 19 June 2024	Buy USD at maturity date and sell EUR	300.015
					300.015

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

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

TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2015

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

**17. OTHER FINANCIAL INVESTMENTS AND OTHER FINANCIAL LIABILITIES
(CONTINUED)**

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

The Company has also entered into cross currency transactions on 6 January and 12 January 2015 with maturity dates on 18 June 2019 and 2024 with a total notional amount of EUR 596.240. As of 31 March 2015, fair value of derivative transactions amounting to TL 61.352 is recognized under short term financial assets. Unrealized loss on these derivatives amounting to TL 61.352 is recognized in profit or loss.

Company	Notional Amount (EUR)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 March 2015 (TL)
Türk Telekom	596.240	6 January 2015 - 12 January 2015	18 June 2019 - 19 June 2024	Cross currency foreign exchange option transactions	(61.352)
					(61.352)

As of 31 December 2014, the Company had also entered into sixteen-part copper option transactions between 21 August and 27 November 2013 with a total notional amount of 1.000 tonnes. As of 31 March 2015, the option has completely matured on 5 January 2015 and gain on these derivatives amounting to TL 65 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

18. SUBSEQUENT EVENT

None.