

# **Türk Telekomünikasyon Anonim Şirketi**

**Interim condensed consolidated financial statements for  
the period between 1 January – 31 March 2013**

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

**Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

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

**Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**

**Interim consolidated balance sheet  
as at 31 March 2013  
(Currency - in Thousands of Turkish Lira ("TL"))**

|                                        |              | <b>Current period<br/>(Unaudited)</b> | <b>Prior period<br/>(Audited)</b> |
|----------------------------------------|--------------|---------------------------------------|-----------------------------------|
|                                        | <b>Notes</b> | <b>31 March 2013</b>                  | <b>31 December 2012</b>           |
| <b>Assets</b>                          |              |                                       |                                   |
| <b>Current assets</b>                  |              |                                       |                                   |
|                                        |              | <b>5.125.611</b>                      | 4.366.561                         |
| Cash and cash equivalents              | 6            | <b>1.428.723</b>                      | 960.788                           |
| Trade receivables                      |              |                                       |                                   |
| - Due from related parties             | 7            | <b>5.714</b>                          | 5.773                             |
| - Other trade receivables              |              | <b>2.207.934</b>                      | 2.120.215                         |
| Other receivables                      |              | <b>122.639</b>                        | 138.323                           |
| Inventories                            |              | <b>124.125</b>                        | 128.107                           |
| Other current assets                   | 11           | <b>1.210.628</b>                      | 991.410                           |
|                                        |              | <b>5.099.763</b>                      | 4.344.616                         |
| <b>Non-current asset held for sale</b> |              |                                       |                                   |
|                                        | 9            | <b>25.848</b>                         | 21.945                            |
| <b>Non-current assets</b>              |              |                                       |                                   |
|                                        |              | <b>12.630.862</b>                     | 12.841.289                        |
| Trade receivables                      |              | <b>27.765</b>                         | 31.012                            |
| Financial investments                  |              | <b>11.840</b>                         | 11.840                            |
| Other financial assets                 | 15           | <b>2.642</b>                          | 3.226                             |
| Other receivables                      |              | <b>28.388</b>                         | 28.143                            |
| Investment property                    | 9            | <b>29.573</b>                         | 30.630                            |
| Property, plant and equipment          | 9            | <b>8.149.396</b>                      | 8.315.882                         |
| Intangible assets                      | 9            | <b>4.013.462</b>                      | 4.050.250                         |
| Goodwill                               |              | <b>48.734</b>                         | 48.734                            |
| Deferred tax asset                     |              | <b>264.623</b>                        | 262.531                           |
| Other non-current assets               | 11           | <b>54.439</b>                         | 59.041                            |
| <b>Total assets</b>                    |              |                                       |                                   |
|                                        |              | <b>17.756.473</b>                     | 17.207.850                        |

The accompanying policies and explanatory notes on pages 7 through 36 form an integral part of these interim condensed consolidated financial statements.

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

**Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**

**Interim consolidated balance sheet  
as at 31 March 2013  
(Currency - in Thousands of Turkish Lira ("TL"))**

|                                              |              | <b>Current period</b> | Prior period     |
|----------------------------------------------|--------------|-----------------------|------------------|
|                                              |              | <b>(Unaudited)</b>    | (Audited)        |
|                                              | <b>Notes</b> | <b>31 March 2013</b>  | 31 December 2012 |
| <b>Liabilities</b>                           |              |                       |                  |
| <b>Current liabilities</b>                   |              | <b>4.803.217</b>      | 4.196.847        |
| Financial liabilities                        |              |                       |                  |
| - Bank borrowings                            | 8            | <b>2.305.402</b>      | 1.341.694        |
| - Obligations under finance leases           |              | <b>7.004</b>          | 7.125            |
| Other financial liabilities                  | 15           | <b>3.200</b>          | 5.754            |
| Trade payables                               |              |                       |                  |
| - Due to related parties                     | 7            | <b>7.466</b>          | 7.389            |
| - Other trade payables                       |              | <b>837.432</b>        | 1.250.705        |
| Other payables                               |              | <b>362.363</b>        | 324.640          |
| Income tax payable                           |              | <b>106.352</b>        | 125.405          |
| Provisions                                   |              | <b>185.880</b>        | 189.206          |
| Other current liabilities                    | 11           | <b>988.118</b>        | 944.929          |
| <b>Non-current liabilities</b>               |              | <b>6.001.715</b>      | 6.555.855        |
| Financial liabilities                        |              |                       |                  |
| - Bank borrowings                            | 8            | <b>4.217.084</b>      | 4.668.350        |
| - Obligations under finance leases           |              | <b>18.722</b>         | 20.625           |
| Other financial liabilities                  |              |                       |                  |
| - Minority put option liability              | 12           | <b>467.561</b>        | 467.561          |
| - Derivative financial instruments           | 15           | <b>23.389</b>         | 33.177           |
| Trade payables                               |              | <b>10.833</b>         | 16.394           |
| Other payables                               |              | <b>8.844</b>          | 8.956            |
| Provisions                                   |              | <b>96.333</b>         | 100.218          |
| Provisions for employee termination benefits | 10           | <b>619.962</b>        | 749.489          |
| Deferred tax liability                       |              | <b>291.357</b>        | 254.803          |
| Other non-current liabilities                | 11           | <b>247.630</b>        | 236.282          |
| <b>Equity</b>                                |              | <b>6.951.541</b>      | 6.455.148        |
| <b>Equity attributable to parent</b>         |              |                       |                  |
| Paid-in share capital                        |              | <b>3.500.000</b>      | 3.500.000        |
| Inflation adjustments to paid in capital (-) |              | <b>(239.752)</b>      | (239.752)        |
| Other reserves                               |              | <b>(1.456.784)</b>    | (1.427.923)      |
| Currency translation reserve                 |              | <b>30.197</b>         | 31.353           |
| Restricted reserves allocated from profits   |              | <b>1.825.257</b>      | 1.825.257        |
| Retained earnings                            |              | <b>2.766.213</b>      | 129.106          |
| Net income for the period                    |              | <b>526.410</b>        | 2.637.107        |
| <b>Total liabilities and equity</b>          |              | <b>17.756.473</b>     | 17.207.850       |

The accompanying policies and explanatory notes on pages 7 through 36 form an integral part of these interim condensed consolidated financial statements.

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

**Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**

**Interim consolidated income statement  
for the period ended 31 March 2013  
(Currency - in Thousands of Turkish Lira ("TL"))**

|                                                                                                  |              | <b>Current Period</b>                     | <b>Prior Period</b>                       |
|--------------------------------------------------------------------------------------------------|--------------|-------------------------------------------|-------------------------------------------|
|                                                                                                  |              | <b>(Unaudited)</b>                        | <b>(Unaudited)</b>                        |
|                                                                                                  | <b>Notes</b> | <b>1 January 2013 -<br/>31 March 2013</b> | <b>1 January 2012 -<br/>31 March 2012</b> |
| Sales                                                                                            | 5            | <b>3.142.944</b>                          | 2.959.538                                 |
| Cost of sales (-)                                                                                | 5            | <b>(1.612.315)</b>                        | (1.399.907)                               |
| <b>Gross profit</b>                                                                              |              | <b>1.530.629</b>                          | 1.559.631                                 |
| Marketing, sales and distribution expenses (-)                                                   | 5            | <b>(418.097)</b>                          | (393.465)                                 |
| General administrative expenses (-)                                                              | 5            | <b>(406.858)</b>                          | (376.670)                                 |
| Research and development expenses (-)                                                            | 5            | <b>(13.415)</b>                           | (9.411)                                   |
| Other operating income                                                                           | 5            | <b>46.354</b>                             | 65.041                                    |
| Other operating expense (-)                                                                      | 5            | <b>(26.783)</b>                           | (27.707)                                  |
| <b>Operating profit</b>                                                                          |              | <b>711.830</b>                            | 817.419                                   |
| Financial income                                                                                 |              | <b>211.687</b>                            | 390.035                                   |
| Financial expense (-)                                                                            |              | <b>(245.999)</b>                          | (229.732)                                 |
| <b>Profit before tax</b>                                                                         |              | <b>677.518</b>                            | 977.722                                   |
| <b>Tax expense</b>                                                                               |              |                                           |                                           |
| - Current tax expense                                                                            |              | <b>(105.238)</b>                          | (257.488)                                 |
| - Deferred tax income/ (expense)                                                                 |              | <b>(55.696)</b>                           | 24.953                                    |
| <b>Profit for the year</b>                                                                       |              | <b>516.584</b>                            | 745.187                                   |
| <b>Attribution of period income</b>                                                              |              |                                           |                                           |
| Attributable to equity holders of the parent                                                     |              | <b>526.410</b>                            | 771.624                                   |
| Minority interest                                                                                |              | <b>(9.826)</b>                            | (26.437)                                  |
| Earnings per shares attributable to equity holders of<br>the parent from (in full Kuruş)         |              | <b>0,1504</b>                             | 0,2205                                    |
| Earnings per diluted shares attributable to equity<br>holders of the parent from (in full Kuruş) |              | <b>0,1504</b>                             | 0,2205                                    |

The accompanying policies and explanatory notes on pages 7 through 36 form an integral part of these interim condensed consolidated financial statements.

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

**Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**

**Interim consolidated statement of comprehensive income  
for the period ended 31 March 2013  
(Currency - in Thousands of Turkish Lira ("TL"))**

|                                                                                                  |              | <b>Current Period</b>                     | Prior Period                      |
|--------------------------------------------------------------------------------------------------|--------------|-------------------------------------------|-----------------------------------|
|                                                                                                  |              | <b>(Unaudited)</b>                        | (Unaudited)                       |
|                                                                                                  | <b>Notes</b> | <b>1 January 2013 -<br/>31 March 2013</b> | 1 January 2012 -<br>31 March 2012 |
| <b>Profit for the year</b>                                                                       |              | <b>516.584</b>                            | 745.187                           |
| <b>Other comprehensive income:</b>                                                               |              |                                           |                                   |
| <b>Other comprehensive income to be reclassified to profit<br/>or loss in subsequent periods</b> |              |                                           |                                   |
| Fair value loss on hedging instruments transferred to<br>consolidated income statement           | 15           | <b>1.259</b>                              | 5.305                             |
| Change in fair value of hedging instrument                                                       | 15           | <b>7.839</b>                              | 1.585                             |
| Tax effect of hedging instrument                                                                 | 15           | <b>(1.586)</b>                            | -                                 |
| Hedge of net investment in a foreign operation                                                   | 15           | <b>3.890</b>                              | 10.181                            |
| Tax effect of hedge of net investment in a foreign<br>operation                                  | 15           | <b>(778)</b>                              | (2.036)                           |
| Change in currency translation differences                                                       |              | <b>(1.156)</b>                            | 7.222                             |
| <b>Items not to be reclassified to profit or loss in subsequent<br/>periods:</b>                 |              |                                           |                                   |
| Actuarial gain/(loss)                                                                            | 10           | <b>(37.074)</b>                           | -                                 |
| Tax effect of actuarial loss from employee benefits                                              |              | <b>7.415</b>                              | -                                 |
| <b>Other comprehensive income (after tax)</b>                                                    |              | <b>(20.191)</b>                           | 22.257                            |
| <b>Total comprehensive income</b>                                                                |              | <b>496.393</b>                            | 767.444                           |
| <b>Appropriation of total comprehensive income:</b>                                              |              |                                           |                                   |
| Attributable to equity holders of the parent                                                     |              | <b>506.102</b>                            | 792.658                           |
| Minority interest                                                                                |              | <b>(9.709)</b>                            | (25.214)                          |

The accompanying policies and explanatory notes on pages 7 through 36 form an integral part of these interim condensed consolidated financial statements.

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

**Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**

**Interim consolidated statement of changes in equity  
for the period ended 31 March 2013  
(Currency - in Thousands of Turkish Lira ("TL"))**

|                                                                          | <b>Other Reserves</b> |                                 |                                            |                                       |                             |                                                                         |                                                            |                         |                                               |                              |                   |                           |           |                   |              |  |
|--------------------------------------------------------------------------|-----------------------|---------------------------------|--------------------------------------------|---------------------------------------|-----------------------------|-------------------------------------------------------------------------|------------------------------------------------------------|-------------------------|-----------------------------------------------|------------------------------|-------------------|---------------------------|-----------|-------------------|--------------|--|
|                                                                          | Paid-in share capital | Inflation adjustment to capital | Restricted reserves allocated from profits | Minority put option liability reserve | Share based payment reserve | Difference arising from the change in shareholding rate in a subsidiary | Reserve for hedge of net investment in a foreign operation | Cash flow hedge reserve | Actuarial loss arising from employee benefits | Currency translation reserve | Retained earnings | Net income for the period | Total     | Minority interest | Total equity |  |
| <b>Balance as at 1 January 2012</b>                                      | 3.500.000             | (239.752)                       | 1.653.106                                  | (779.383)                             | 9.528                       | (308.634)                                                               | (37.976)                                                   | (13.386)                | (252.745)                                     | 40.831                       | 129.106           | 2.068.676                 | 5.769.371 | --                | 5.769.371    |  |
| Net profit for the period                                                | --                    | --                              | --                                         | --                                    | --                          | --                                                                      | --                                                         | --                      | --                                            | --                           | --                | 771.624                   | 771.624   | (26.437)          | 745.187      |  |
| Other comprehensive income/(loss)                                        | --                    | --                              | --                                         | --                                    | --                          | --                                                                      | 8.145                                                      | 5.667                   | --                                            | 7.222                        | --                | --                        | 21.034    | 1.223             | 22.257       |  |
| Total comprehensive income                                               | --                    | --                              | --                                         | --                                    | --                          | --                                                                      | 8.145                                                      | 5.667                   | --                                            | 7.222                        | --                | 771.624                   | 792.658   | (25.214)          | 767.444      |  |
| Transfer to retained earnings                                            | --                    | --                              | --                                         | --                                    | --                          | --                                                                      | --                                                         | --                      | --                                            | --                           | 2.068.676         | (2.068.676)               | --        | --                | --           |  |
| Minority interest before classification to minority put option liability | --                    | --                              | --                                         | --                                    | --                          | --                                                                      | --                                                         | --                      | --                                            | --                           | --                | --                        | --        | (221.133)         | (221.133)    |  |
| Minority put option liability (Note 12)                                  | --                    | --                              | --                                         | 87.314                                | --                          | --                                                                      | --                                                         | --                      | --                                            | --                           | --                | --                        | 87.314    | 24.180            | 111.494      |  |
| Difference due to the chance in shareholding rate in a subsidiary        | --                    | --                              | --                                         | --                                    | --                          | (220.699)                                                               | --                                                         | (885)                   | (583)                                         | --                           | --                | --                        | (222.167) | 222.167           | --           |  |
| <b>Balance as at 31 March 2012</b>                                       | 3.500.000             | (239.752)                       | 1.653.106                                  | (692.069)                             | 9.528                       | (529.333)                                                               | (29.831)                                                   | (8.604)                 | (253.328)                                     | 48.053                       | 2.197.782         | 771.624                   | 6.427.176 | --                | 6.427.176    |  |
| <b>Balance as at 1 January 2013</b>                                      | 3.500.000             | (239.752)                       | 1.825.257                                  | (180.715)                             | 9.528                       | (858.134)                                                               | (29.649)                                                   | (28.274)                | (340.679)                                     | 31.353                       | 129.106           | 2.637.107                 | 6.455.148 | --                | 6.455.148    |  |
| Net profit for the period                                                | --                    | --                              | --                                         | --                                    | --                          | --                                                                      | --                                                         | --                      | --                                            | --                           | --                | 526.410                   | 526.410   | (9.826)           | 516.584      |  |
| Other comprehensive income/(loss)                                        | --                    | --                              | --                                         | --                                    | --                          | --                                                                      | 3.113                                                      | 7.394                   | (29.659)                                      | (1.156)                      | --                | --                        | (20.308)  | 117               | (20.191)     |  |
| Total comprehensive income                                               | --                    | --                              | --                                         | --                                    | --                          | --                                                                      | 3.113                                                      | 7.394                   | (29.659)                                      | (1.156)                      | --                | 526.410                   | 506.102   | (9.709)           | 496.393      |  |
| Transfer to retained earnings                                            | --                    | --                              | --                                         | --                                    | --                          | --                                                                      | --                                                         | --                      | --                                            | --                           | 2.637.107         | (2.637.107)               | --        | --                | --           |  |
| Minority interest before classification to minority put option liability | --                    | --                              | --                                         | --                                    | --                          | --                                                                      | --                                                         | --                      | --                                            | --                           | --                | --                        | --        | 286.845           | 286.845      |  |
| Minority put option liability (Note 12)                                  | --                    | --                              | --                                         | (9.709)                               | --                          | --                                                                      | --                                                         | --                      | --                                            | --                           | --                | --                        | (9.709)   | (277.136)         | (286.845)    |  |
| <b>Balance as at 31 March 2013</b>                                       | 3.500.000             | (239.752)                       | 1.825.257                                  | (190.424)                             | 9.528                       | (858.134)                                                               | (26.536)                                                   | (20.880)                | (370.338)                                     | 30.197                       | 2.766.213         | 526.410                   | 6.951.541 | --                | 6.951.541    |  |

The accompanying policies and explanatory notes on pages 7 through 36 form an integral part of these interim condensed consolidated financial statements.

**Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries****Consolidated statement of cash flows  
for the period ended 31 March 2013  
(Currency - in Thousands of Turkish Lira ("TL"))**

|                                                                                        | <b>Current Period</b>                     | <b>Prior Period</b>                       |
|----------------------------------------------------------------------------------------|-------------------------------------------|-------------------------------------------|
|                                                                                        | <b>(Unaudited)</b>                        | <b>(Unaudited)</b>                        |
| <b>Notes</b>                                                                           | <b>1 January 2013 -<br/>31 March 2013</b> | <b>1 January 2012 -<br/>31 March 2012</b> |
| <b>Profit for the period before tax</b>                                                | <b>677.518</b>                            | 977.722                                   |
| Adjustments to reconcile profit before tax to cash provided by operating activities:   |                                           |                                           |
| Depreciation, amortisation expenses and impairment                                     | <b>439.471</b>                            | 414.229                                   |
| Gain on sale of property, plant and equipment                                          | <b>(21.828)</b>                           | (15.474)                                  |
| IFRIC 12 adjustment                                                                    | <b>(4.600)</b>                            | (3.770)                                   |
| Foreign currency exchange (income) / expense, net                                      | <b>2.726</b>                              | (191.696)                                 |
| Interest income and (expense), net                                                     | <b>15.402</b>                             | 14.761                                    |
| Reversal of doubtful receivables                                                       | <b>(39.074)</b>                           | (40.118)                                  |
| Allowance for doubtful receivables                                                     | <b>80.470</b>                             | 63.949                                    |
| Provision for employee termination benefits                                            | <b>25.852</b>                             | 22.541                                    |
| Change in litigation provision, net                                                    | <b>7.009</b>                              | (9.713)                                   |
| Change in unused vacation provision                                                    | <b>11.053</b>                             | 25.359                                    |
| Loss/(gain) on derivative financial instruments, net                                   | <b>2.083</b>                              | 7.158                                     |
| Obsolete inventory provision                                                           | <b>-</b>                                  | 578                                       |
| Other provisions                                                                       | <b>(1.184)</b>                            | (3.964)                                   |
| <b>Operating profit before working capital changes</b>                                 | <b>1.194.898</b>                          | 1.261.562                                 |
| <b>Net working capital changes in:</b>                                                 |                                           |                                           |
| Trade receivables and other receivables                                                | <b>(124.971)</b>                          | (11.309)                                  |
| Other current assets and inventories                                                   | <b>(196.383)</b>                          | (144.153)                                 |
| Trade payables and other payables                                                      | <b>(418.233)</b>                          | (604.162)                                 |
| Other non-current assets                                                               | <b>4.337</b>                              | (9.364)                                   |
| Other current liabilities and provisions                                               | <b>103.368</b>                            | (11.145)                                  |
| Other non-current liabilities                                                          | <b>11.138</b>                             | (5.496)                                   |
| Payments of employee termination benefits                                              | <b>(192.440)</b>                          | (2.293)                                   |
| Restricted cash                                                                        | <b>(41.551)</b>                           | 33.969                                    |
| Provisions paid                                                                        | <b>(16.564)</b>                           | (44)                                      |
| Taxes paid                                                                             | <b>(112.329)</b>                          | (176.406)                                 |
| <b>Net cash provided by operating activities</b>                                       | <b>211.270</b>                            | 331.159                                   |
| <b>Investing activities</b>                                                            |                                           |                                           |
| Interest received                                                                      | <b>43.186</b>                             | 49.951                                    |
| Proceeds from sale of property, plant, equipment and intangible assets                 | <b>29.618</b>                             | 26.051                                    |
| Purchase of property, plant, equipment and intangible assets                           | <b>(292.633)</b>                          | (375.188)                                 |
| <b>Net cash used in investing activities</b>                                           | <b>(219.829)</b>                          | (299.186)                                 |
| <b>Cash flows from financing activities</b>                                            |                                           |                                           |
| Proceeds from bank borrowings                                                          | <b>2.728.155</b>                          | 6.566.537                                 |
| Repayment of bank borrowings                                                           | <b>(2.216.546)</b>                        | (6.387.138)                               |
| Repayment of obligations under finance leases                                          | <b>(1.844)</b>                            | (1.748)                                   |
| Interest paid                                                                          | <b>(55.210)</b>                           | (74.989)                                  |
| Derivative instrument payments                                                         | <b>(4.743)</b>                            | (18.699)                                  |
| <b>Net cash used in financing activities</b>                                           | <b>449.812</b>                            | 83.963                                    |
| Net increase/ (decrease) in cash and cash equivalents                                  | <b>441.253</b>                            | 115.936                                   |
| Foreign exchange differences on cash and cash equivalents at the beginning of the year | <b>(14.869)</b>                           | 2.029                                     |
| Cash and cash equivalents at the beginning of the year                                 | <b>447.012</b>                            | 226.595                                   |
| <b>Cash and cash equivalents at the end of the year</b>                                | <b>6</b>                                  | <b>873.396</b>                            |

The accompanying policies and explanatory notes on pages 7 through 36 form an integral part of these interim condensed consolidated financial statements.

## **Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**

### **Notes to the consolidated financial statements for the period ended 31 March 2013**

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

#### **1. Corporate organization and activities**

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

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

Out of TL 3.500.000 nominal amount of capital, 15% of the Company’s shares owned by the Treasury corresponding to a nominal amount of TL 525.000 has been issued to the public through an initial public offering with the permission of Directorate of Istanbul Stock Exchange on 15 May 2008. Since then Company shares are traded in İstanbul Stock Exchange with the name of TTKOM.

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

As at 31 March 2013 and 31 December 2012, the ultimate parent and controlling party of the Company is Saudi Oger Ltd (“Saudi Oger”), because of its controlling ownership in Oger Telecom.

A concession agreement (“the Concession Agreement”) was signed by the Company and Turkish Telecommunication Authority (now named the Information and Communication Technologies Authority (“ICTA”) as at 14 November 2005 (Note 26). The Concession Agreement covers the provision of all kinds of telecommunication services, establishment of necessary telecommunications facilities and the use of such facilities by other licensed operators and the marketing and supply of telecommunication services for 25 years starting from 28 February 2001. As The Concession Agreement will terminate on 28 February 2026 and the Company will transfer the entire infrastructure that has been used to provide telecommunication services to ICTA in working condition.

**Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries****Notes to the consolidated financial statements  
for the period ended 31 March 2013 (continued)**

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

**1. Corporate organization and activities (continued)**

The details of the Company's subsidiaries as at 31 March 2013 and 31 December 2012 are as follows:

| Name of Subsidiary                                                                 | Place of incorporation and operation | Principal activity                                                           | Functional Currency | Effective ownership of the Company (%) |                  |
|------------------------------------------------------------------------------------|--------------------------------------|------------------------------------------------------------------------------|---------------------|----------------------------------------|------------------|
|                                                                                    |                                      |                                                                              |                     | 31 March 2013                          | 31 December 2012 |
| TTNetAnonimŞirketi ("TTNet")                                                       | Turkey                               | Internet Service Provider                                                    | Turkish Lira        | 100                                    | 100              |
| AveaİletişimHizmetleri A.Ş.("Avea")                                                | Turkey                               | GSM Operator                                                                 | Turkish Lira        | 89,99                                  | 89,99            |
| ArgelaYazılımveBilişimTeknolojileriSanayiveTicaretAnonimŞirketi ("Argela")         | Turkey                               | Telecommunications solutions                                                 | Turkish Lira        | 100                                    | 100              |
| InnovaBilişimÇözümleriAnonimŞirketi("Innova")                                      | Turkey                               | Telecommunications solutions                                                 | Turkish Lira        | 100                                    | 100              |
| AssistRehberlikveMüşteriHizmetleriAnonimŞirketi ("AssistTT")                       | Turkey                               | Call centre and customer relations                                           | Turkish Lira        | 100                                    | 100              |
| SebitEğitimveBilgiTeknolojileri A.Ş.("Sebit")                                      | Turkey                               | Web based learning                                                           | Turkish Lira        | 100                                    | 100              |
| Argela - USA. Inc.                                                                 | USA                                  | Telecommunication Solutions                                                  | U.S. Dollar         | 100                                    | 100              |
| Sebit LLC                                                                          | USA                                  | Web Based Learning                                                           | U.S. Dollar         | 100                                    | 100              |
| IVEA Software Solutions FZ-LLC ("IVEA")                                            | UAE                                  | Telecommunication Solutions                                                  | U.S. Dollar         | 100                                    | 100              |
| SOBEE YazılımTicaret Limited Şirketi("Sobee")                                      | Turkey                               | Software gaming services                                                     | Turkish Lira        | 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              |
| Pantel International AG ("PantelAustria")                                          | Austria                              | Internet/data services, infrastructure and wholesale voice services provider | Euro                | 100                                    | 100              |
| Pantel International Hungary Kft ("PantelHungary")(*)                              | Hungary                              | Internet/data services, infrastructure and wholesale voice services provider | Euro                | 100                                    | 100              |
| S.C. Euroweb Romania S.A. ("Pantel Romania")(*)                                    | Romania                              | Internet/data services, infrastructure and wholesale voice services provider | Euro                | 100                                    | 100              |
| Pantel International Bulgaria EODD ("Pantel Bulgaria")(*)                          | Bulgaria                             | Internet/data services, infrastructure and wholesale voice services provider | Euro                | 100                                    | 100              |
| Pantel International CZ s.r.o("PantelCzech Republic")                              | Czech Republic                       | Internet/data services, infrastructure and wholesale voice services provider | Euro                | 100                                    | 100              |
| PantelTelcom d.o.o Beograd ("PantelSerbia")(*)                                     | Serbia                               | Internet/data services, infrastructure and wholesale voice services provider | Euro                | 100                                    | 100              |
| PantelTelcomunikacijed.o.o ("Pantel Slovenia")(*)                                  | Slovenia                             | Internet/data services, infrastructure and wholesale voice services provider | Euro                | 100                                    | 100              |
| Pantel International SK s.r.o ("Pantel Slovakia")(*)                               | Slovakia                             | Internet/data services, infrastructure and wholesale voice services provider | Euro                | 100                                    | 100              |
| MTCTR Memorex TelekomünikasyonSanayiveTicaret Limited Şirketi ("Pantel Turkey")(*) | Turkey                               | Internet/data services, infrastructure and wholesale voice services provider | Turkish Lira        | 100                                    | 100              |
| Memorex Telex Communications UA Ltd.("Pantel Ukraine")(*)                          | Ukraine                              | Internet/data services, infrastructure and wholesale voice services provider | Euro                | 100                                    | 100              |
| Pantel International İtalia S.R.L. ("Pantel İtalia")(*)                            | Italy                                | Internet/data services, infrastructure and wholesale voice services provider | Euro                | 100                                    | 100              |
| Pantel International DOOEL Skopje ("Pantel Macedonia")(*)                          | Macedonia                            | Internet/data services, infrastructure and wholesale voice services provider | Euro                | 100                                    | 100              |
| Pantel International LLC ("Pantel Russia")                                         | Russia                               | voice services provider                                                      | Euro                | 100                                    | 100              |
| TürkTelekomünikasyon Euro GmbH. ("TT Euro")(*)                                     | Germany                              | Mobil service marketing                                                      | Euro                | 100                                    | 100              |
| Pan Telekom D.O.O. ("PantelCroatia")(*)                                            | Croatia                              | Internet/data services, infrastructure and wholesale voice services provider | Euro                | 100                                    | 100              |
| Net Ekran TV veMedyaHiz. A.Ş. ("Net Ekran")                                        | Turkey                               | Television and radio broadcasting                                            | Turkish Lira        | 100                                    | 100              |
| TT Euro Belgium S.A.(*)                                                            | Belgium                              | Internet/data services, infrastructure and wholesale voice services provider | Euro                | 100                                    | 100              |

(\*) Hereinafter, will be referred to as Pantel Group.

## **Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**

### **Notes to the consolidated financial statements**

#### **for the period ended 31 March 2013 (continued)**

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

#### **1. Corporate organization and activities (continued)**

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

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

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

The numbers of personnel of the Group as at 31 March 2013 and 31 December 2012 are 34.969 and 37.524, respectively.

Interim condensed consolidated financial statements were approved by the Board of Directors of the Company and authorized for issue on 16 April 2013. The general assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

#### **2. Basis of presentation financial statements**

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

##### **2.1 Basis of presentation of the consolidated financial statements**

The interim condensed consolidated financial statements and disclosures have been prepared in accordance with the format that must be applied according to the communiqué numbered XI-29 "Communiqué on the Principles of Financial Reporting In Capital Markets" announced by the CMB (hereinafter will be referred to as "the CMB Accounting Standards") on 9 April 2008.

In accordance with article 5th of the CMB Accounting Standards, companies should apply IFRS as adopted by the European Union (EU). However, again in accordance with the provisional clause 2 of the same standards adoption of the IFRS as adopted by the EU is postponed until the Turkish Accounting Standards Board ("TASB") (In November 2011 TASB has been dismissed and its responsibilities are transferred to Public Oversight Accounting and Auditing Standards Authority) declares the differences between the IFRS as adopted by the EU and the IFRS as adopted by the International Accounting Standards Board (IASB). Thus, for the period ended 31 March 2013, the Group prepared its consolidated financial statements in accordance with the Turkish Accounting Standard No.34 "Interim Financial Reporting" which is in line with IAS 34 adopted by the IASB.

Interim condensed consolidated financial statements of the Group do not include 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 2012.

Excluding the subsidiaries incorporated outside of Turkey functional currency of all entities' included in consolidation is Turkish Lira ("TL") and they maintain their books of account in Turkish Lira ("TL") in accordance with Turkish Commercial Code and Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance.

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

The consolidated financial statements have been prepared on the historical cost basis except with for the property, plant and equipment and investment property for which the deemed cost method was applied in accordance with IAS 16 "Property, Plant and Equipment" for acquisitions prior to 1 January 2000, derivative financial instruments and minority put option liability which have been reflected at their fair values. Investment properties and tangible assets which are recognised with deemed cost method are valued with fair values as of 1 January 2000, minority put option liabilities and derivative financial liabilities are valued with fair values as of balance sheet date.

## **Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**

### **Notes to the consolidated financial statements**

#### **for the period ended 31 March 2013 (continued)**

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

## **2. Basis of presentation financial statements (continued)**

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

In order to prepare financial statements in accordance with IFRSs, certain assumptions affecting notes to the financial statements and critical accounting estimations related to assets, liabilities, contingent assets and contingent liabilities are required to be used. Although these estimations are made upon the best afford of the Management by interpreting the cyclical circumstances, actual results may differ from the forecasts. Issues that are complex and needs further interpretation, which might have a critical impact on financial statements. There is no change in judgements and critical accounting estimates used in interim condensed consolidated financial statements as of 31 March 2013.

#### **Additional paragraph for convenience translation to English:**

As at 31 March 2013, the accounting principles described in Note 2 (defined as CMB Accounting Standards) to the accompanying condensed financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting and also for certain disclosures requirement of the CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

#### **Classifications applied to financial statements as of 31 March 2012 and 31 December 2012**

As a result of amendment in the Group's cost accounts, amounts of TL (53.005), TL 61.680, TL (8.782), TL 107 as of March 31, 2012 are reclassified between cost of sales, marketing, sales and distribution, general administration, research and development expenses, respectively

As of 31 March 2012, scrap sales profit amounting to TL 15.987 has been reclassified from cash flow provided by operating activities to "proceeds from sales of property, equipment and in tangible assets" under net cash used in investing activities.

As of 31 December 2012, vacation pay liability amounting to TL 91.435 presented in short term provisions has been reclassified to long term provisions due to amendments in IAS 19 "Employee Benefits" which has been effective as of 1 January 2013. According to revised IAS 19, the short term benefits provided to employees comprise the ones which are expected to be settled wholly in twelve months after the end of the reporting period. Regarding this issue, the Group's expectation is not to settle the whole vacation pay liability within twelve months after the end of the reporting period, so the related vacation pay liabilities has been reclassified as other long-term employee benefits and the necessary amendments on the previous period financial statements has been made by the Group.

## **Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**

### **Notes to the consolidated financial statements**

#### **for the period ended 31 March 2013 (continued)**

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

## **2. Basis of presentation financial statements (continued)**

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

#### **The new standards, amendments and interpretations**

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at 31 March 2013 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2013. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

**The new standards, amendments and interpretations which are effective as at 1 January 2013 are as follows:**

#### **IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendment)**

The amendment requires the disclosure of the rights of the entity relating to the offsetting of the financial instruments and some information about the related regulations (eg, collateral agreements). New disclosures would provide users of financial statements with information that is useful in

- i) evaluating the effect or potential effect of netting arrangements on an entity's financial position and,
- ii) analyzing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards.

New disclosures have to be provided for all the financial instruments in the balance sheet that have been offset according to IAS 32. Such disclosures are applicable to financial instruments in the balance sheet that have not been offset according to IAS 32 but are available for offsetting according to main applicable offsetting regulations or other financial instruments that are subject to a similar agreement. The amendment affects disclosures only and did not have any impact on the interim condensed consolidated financial statements of the Group.

#### **IAS 1 Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income**

The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. The amendment affects presentation only and did not have an impact on the financial position or performance of the Group.

## **Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**

### **Notes to the consolidated financial statements**

#### **for the period ended 31 March 2013 (continued)**

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

## **2. Basis of presentation financial statements (continued)**

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

#### **IAS 19 Employee Benefits (Amended)**

Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism, for determined benefit plans recognizing actuarial gain/(loss) under other comprehensive income and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. Since the Group recognizes the actuarial income and loss in the other comprehensive income statement, the amendment of the standard with regards to the removal of corridor mechanism did not have any impact on the financial position or performance of the Group. However based on the amendment in the presentation of short term employee benefits, vacation pay liability formerly presented in the short term provisions has been retrospectively reclassified to long term provisions and calculated based on actuarial method.

#### **IAS 27 Separate Financial Statements (Amended)**

As a consequential amendment to IFRS 10 and IFRS 12, the IASB also amended IAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. This amendment did not have an impact on the financial position or performance of the Group.

#### **IAS 28 Investments in Associates and Joint Ventures (Amended)**

As a consequential amendment to IFRS 11 and IFRS 12, the IASB also amended IAS 28, which has been renamed IAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to IFRS 11. This amendment did not have an impact on the financial position or performance of the Group.

#### **IFRS 10 Consolidated Financial Statements**

IFRS10, IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This amendment will not have an impact on the financial position or performance of the Group.

#### **IFRS 11 Joint Arrangements**

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This standard did not have an impact on the financial position or performance of the Group.

#### **IFRS 12 Disclosure of Interests in Other Entities**

IFRS 12 includes all of the requirements that are related to disclosures of an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Apart from the disclosures regarding the significant issues and transactions in the interim period, disclosures according to the new standards are not applicable to interim periods so the Group did not provide this disclosure in the interim period.

## **Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**

### **Notes to the consolidated financial statements**

#### **for the period ended 31 March 2013 (continued)**

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

## **2. Basis of presentation financial statements (continued)**

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

#### **IFRS 13 Fair Value Measurement**

The new Standard provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. The new disclosures are only required for periods beginning after IFRS 13 is adopted. Some of the disclosures about the financial instruments mentioned above, have to be provided in the interim condensed consolidated financial statements according to IAS 34.16 A (j). The Group has presented these disclosures in Note 14 and 15. This amendment did not have an impact on the interim consolidated financial statements of the Group.

#### **IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine**

Entities will be required to apply its requirements for production phase stripping costs incurred from the start of the earliest comparative period presented. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The interpretation is not applicable for the Group and did not have any impact on the financial position or performance of the Group.

#### **Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)**

The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as ‘the beginning of the annual reporting period in which IFRS 10 is applied for the first time’. The assessment of whether control exists is made at ‘the date of initial application’ rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief. This guidance has not yet been endorsed by the EU. These amendments did not have an impact on the interim consolidated financial statements of the Group.

#### **Improvements to IFRSs**

Annual Improvements to IFRSs – 2009 – 2011 Cycle, which contains amendments to its standards, is effective for annual periods beginning on or after 1 January 2013. This project did not have an impact on the financial position or performance of the Group.

##### *IAS 1 Financial Statement Presentation:*

Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

##### *IAS 16 Property, Plant and Equipment:*

Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory

##### *IAS 32 Financial Instruments: Presentation:*

Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

## **Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**

### **Notes to the consolidated financial statements**

#### **for the period ended 31 March 2013 (continued)**

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

## **2. Basis of presentation financial statements (continued)**

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

#### **Improvements to IFRSs (continued)**

##### *IAS 34 Interim Financial Reporting:*

Clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity’s previous annual financial statements for that reportable segment.

#### **Standards issued but not yet effective and not early adopted**

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

#### **IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)**

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

#### **IFRS 9 Financial Instruments – Classification and measurement**

As amended in December 2011, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. 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. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

#### **IFRS 10 Consolidated Financial Statements (Amendment)**

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

## **Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**

### **Notes to the consolidated financial statements for the period ended 31 March 2013 (continued)**

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

## **2. Basis of presentation financial statements (continued)**

### **2.2 Basis of consolidation**

As at 31 March 2013, the consolidated financial statements include the financial results of Türk Telekom and its subsidiaries listed at Note 1. Control is normally evidenced when the Company controls an investee if and only if the company has all the following; a) power of the investee b) exposure, or rights, to variable returns from its involvement with the investee and c) the ability to use its power over the investee to affect the amount of company's returns. The results of subsidiaries acquired during the year are included in the consolidated statements of income from the effective date of acquisition as appropriate.

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

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

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

Losses within a subsidiary are attributed to minority interest even if that result in deficit balance.

Transactions with minority shareholders are assumed to be occurred between main shareholders and so, accounted under equity.

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

On 15 September 2006, the Company, Türkiye İş Bankası A.Ş. (İş Bank) and the companies controlled by İş Bank (altogether will be referred as İş Bank Group) signed an "Amendment Agreement" to the "Shareholder Agreement" and the "IPO and Put Option Agreement" originally dated 15 February 2004. In accordance with the Amendment Agreement, the Company has granted a put option to İş Bank Group, the minority shareholder in Avea, on the shares owned by İş Bank Group. In order to reflect the minority put option liability in the consolidated financial statements, the minority interest is reclassified as minority put option liability as "long term liabilities" after appropriation to the minority interest of its share of recognized income and expense for the year. The value of the minority interest before the fair value calculation and the fair value amount is classified as 'minority put option liability reserve' based on the Group accounting principles applied for the acquisition of minority shares (Notes 12).

## Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

### Notes to the consolidated financial statements

#### for the period ended 31 March 2013 (continued)

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

### 3. Seasonal changes in the operations

The operations of the Group have no significant change according to season.

### 4. Earnings per share

The calculation of the earnings per share attributable to the equity holders of the parent is as follows

|                                                                                    | <b>For the three month<br/>period ended<br/>31 March<br/>2013</b> | <b>For the three month<br/>period ended<br/>31 March<br/>2012</b> |
|------------------------------------------------------------------------------------|-------------------------------------------------------------------|-------------------------------------------------------------------|
| <b>Weighted average number of shares outstanding during the period (in number)</b> | <b>350.000.000</b>                                                | <b>350.000.000</b>                                                |
| <b>Net profit for the period attributable to equity holders of parent</b>          | <b>526.410</b>                                                    | <b>771.624</b>                                                    |
| <b>Earnings per share (in full kuruş)</b>                                          | <b>0,1504</b>                                                     | <b>0,2205</b>                                                     |

### 5. Segment reporting

The Group has two main segments: Fixed line and GSM. Fixed line services are provided by Türk Telekom, TTNNet, Argela, Innova, Sebit, Sobee, AssisTT and Pantel Group whereas GSM service is provided by Avea. Group management assesses segment performance over earnings before interest, tax, depreciation and amortization ("EBITDA"). EBITDA is calculated by adding interest, tax, depreciation, amortization, and impairment over operating income. Group management uses EBITDA as it is comparable with other companies in the sector. As Group management does not monitor Group's performance over geographical segments, geographical segment reporting is not presented. The segment results, balance sheet items are presented below:

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

## Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

### Notes to the consolidated financial statements for the period ended 31 March 2013 (continued)

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

#### 5. Segment reporting (cont'd)

|                                                                                   | Fixed line                  |                             | Mobile                      |                             | Eliminations                |                             | Consolidated                |                             |
|-----------------------------------------------------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                                                                   | 1 January-<br>31 March 2013 | 1 January-<br>31 March 2012 | 1 January-<br>31 March 2013 | 1 January-<br>31 March 2012 | 1 January-<br>31 March 2013 | 1 January-<br>31 March 2012 | 1 January-<br>31 March 2013 | 1 January-<br>31 March 2012 |
| <b>Revenue</b>                                                                    |                             |                             |                             |                             |                             |                             |                             |                             |
| Domestic PSTN                                                                     | 883.299                     | 990.097                     | -                           | -                           | -                           | -                           | 883.299                     | 990.097                     |
| ADSL                                                                              | 829.882                     | 743.813                     | -                           | -                           | -                           | -                           | 829.882                     | 743.813                     |
| GSM                                                                               | -                           | -                           | 917.101                     | 787.017                     | -                           | -                           | 917.101                     | 787.017                     |
| IFRIC12 revenue                                                                   | 39.988                      | 32.767                      | -                           | -                           | -                           | -                           | 39.988                      | 32.767                      |
| Data service revenue                                                              | 164.684                     | 132.750                     | -                           | -                           | -                           | -                           | 164.684                     | 132.750                     |
| International interconnection revenue                                             | 124.890                     | 104.405                     | -                           | -                           | -                           | -                           | 124.890                     | 104.405                     |
| Domestic interconnection revenue                                                  | 77.677                      | 77.206                      | -                           | -                           | -                           | -                           | 77.677                      | 77.206                      |
| Leased lines                                                                      | 79.670                      | 98.879                      | -                           | -                           | -                           | -                           | 79.670                      | 98.879                      |
| Rental income from GSM operators                                                  | 20.095                      | 23.654                      | -                           | -                           | -                           | -                           | 20.095                      | 23.654                      |
| Other                                                                             | 98.868                      | 51.054                      | -                           | -                           | -                           | -                           | 98.868                      | 51.054                      |
| Eliminations                                                                      | -                           | -                           | -                           | -                           | (93.210)                    | (82.104)                    | (93.210)                    | (82.104)                    |
| <b>Total revenue</b>                                                              | <b>2.319.053</b>            | <b>2.254.625</b>            | <b>917.101</b>              | <b>787.017</b>              | <b>(93.210)</b>             | <b>(82.104)</b>             | <b>3.142.944</b>            | <b>2.959.538</b>            |
| Cost of sales and operating expenses<br>(excluding depreciation and amortization) | (1.297.310)                 | (1.135.327)                 | (808.697)                   | (712.096)                   | 94.793                      | 82.199                      | (2.011.214)                 | (1.765.224)                 |
| Other income / (expense)                                                          | 18.901                      | 33.129                      | 764                         | 3.065                       | (94)                        | 1.140                       | 19.571                      | 37.334                      |
| Depreciation and amortization                                                     | (266.115)                   | (259.659)                   | (173.889)                   | (156.943)                   | 533                         | 2.373                       | (439.471)                   | (414.229)                   |
| Impairment on FA & IFA                                                            | -                           | -                           | -                           | -                           | -                           | -                           | -                           | -                           |
| Impairment on goodwill                                                            | -                           | -                           | -                           | -                           | -                           | -                           | -                           | -                           |
| Earnings before interest, tax, depreciation anc                                   | 1.040.644                   | 1.152.427                   | 109.168                     | 77.986                      | 1.489                       | 1.235                       | 1.151.301                   | 1.231.648                   |
| Doubtful receivable provision expense                                             | 41.197                      | 17.262                      | -                           | 10.630                      | -                           | -                           | 41.197                      | 27.892                      |
| Capital expenditure (*)                                                           | 190.685                     | 265.671                     | 60.619                      | 135.705                     | 3.153                       | (537)                       | 254.457                     | 400.840                     |
| Contribution to the consolidated revenue (**)                                     | 2.245.702                   | 2.180.794                   | 897.242                     | 778.744                     | -                           | -                           | 3.142.944                   | 2.959.538                   |
| Contribution to the consolidated EBITDA (***)                                     | 991.533                     | 1.088.895                   | 159.769                     | 142.753                     | -                           | -                           | 1.151.302                   | 1.231.648                   |

(\*) Capital expenditures do not include TL 4.600 (2012 – TL 3.770) 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 IFRS 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 IFRS 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

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

## Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

### Notes to the consolidated financial statements for the period ended 31 March 2013 (continued)

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

#### 5. Segment reporting (continued)

|                                           | 1 January-<br>31 March 2013 | 1 January-<br>31 March 2012 |
|-------------------------------------------|-----------------------------|-----------------------------|
| Fixedline segment EBITDA                  | 1.040.644                   | 1.152.427                   |
| GSM segment EBITDA                        | 109.168                     | 77.986                      |
| Inter-segment eliminations                | 1.489                       | 1.235                       |
| <b>Consolidated EBITDA</b>                | <b>1.151.301</b>            | <b>1.231.648</b>            |
| Financial income                          | 211.687                     | 390.035                     |
| Financial expenses (-)                    | (245.999)                   | (229.732)                   |
| Depreciation and amortisation, impairment | (439.471)                   | (414.229)                   |
| <b>Consolidated profit before tax</b>     | <b>677.518</b>              | <b>977.722</b>              |

#### 31 March 2013

|                           | Fixed Line  | Mobile      | Eliminations | Other unallocated<br>amounts (*) | Consolidated |
|---------------------------|-------------|-------------|--------------|----------------------------------|--------------|
| Total segment assets      | 14.327.416  | 5.456.872   | (2.027.815)  | -                                | 17.756.473   |
| Total segment liabilities | (9.666.290) | (2.716.168) | 2.045.087    | (467.561)                        | (10.804.932) |

#### 31 December 2012

|                           | Fixed Line  | Mobile      | Eliminations | Other unallocated<br>amounts (*) | Consolidated |
|---------------------------|-------------|-------------|--------------|----------------------------------|--------------|
| Total segment assets      | 13.352.814  | 5.535.783   | (1.680.747)  | -                                | 17.207.850   |
| Total segment liabilities | (9.282.987) | (2.698.019) | 1.695.865    | (467.561)                        | (10.752.702) |

(\*) Includes minority put option liability amounting to TL 467.561 (31 December 2012–TL 467.561).

**Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**

**Notes to the consolidated financial statements**

**for the period ended 31 March 2013 (continued)**

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

**6. Cash and cash equivalents**

|                               | <b>31 March 2013</b> | 31 December 2012 |
|-------------------------------|----------------------|------------------|
| Cash on hand                  | <b>989</b>           | 791              |
| Cash at banks– Demand Deposit | <b>453.284</b>       | 439.694          |
| Cash at banks– Time Deposit   | <b>974.422</b>       | 520.232          |
| Other                         | <b>28</b>            | 71               |
|                               | <b>1.428.723</b>     | 960.788          |

As of 31 March 2013, time deposits are all short-term, maturing within one month and denominated in both foreign currencies and TL. The interest rates are between 3,25% - 7,55% for TL deposits, between 0,25% - 2,55% for US Dollar deposits and between 0,70% - 3,95% for Euro deposits. (31 December 2012 – for TL deposits between 3,25% and 12,10% for TL deposits, for US Dollar deposits between 0,10% and 4,55% and for Euro deposits between 0,10% and 5,29%).

As of 31 March 2013, TL 87.562 (31 March 2012 - TL 115.744) of time deposits represents advances received from the Turkish Armed Forces for Turkish Armed Forces Integrated Communication Systems ("TAFICS") projects. The interest income from these time deposits are added to the advances received and not reflected in the consolidated income statement as per agreement between parties (Note 11). These time deposits are restricted and can only be used for payments related to TAFICS projects.

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

|                                                     | <b>31 March 2013</b> | 31 March 2012 |
|-----------------------------------------------------|----------------------|---------------|
| Cash and cash equivalents                           | <b>1.428.723</b>     | 1.062.672     |
| Less: restricted amounts                            |                      |               |
| - Collection protocols                              | <b>(323.728)</b>     | (320.535)     |
| - Restricted deposit in relation to bank borrowings | <b>(126.233)</b>     | (266.526)     |
| - TSKEMS projects                                   | <b>(87.562)</b>      | (115.744)     |
| - ATM collection                                    | <b>(7.608)</b>       | (5.508)       |
| - Other                                             | <b>(10.196)</b>      | (9.799)       |
| Not restricted cash                                 | <b>873.396</b>       | 344.560       |

As of 31 March 2013, demand deposits amounting to TL 323.728 (31 March 2012 - TL 320.535) is restricted due to collection protocols signed with banks for receipts from the subscribers, under which proceeds are made available to the Group a certain number of days after the cash is collected. As of 31 March 2013, all (2012- all) of restricted deposits in relation to bank borrowings consist of blocked time deposits related to Avea's bank borrowing. An additional amount of TL 7.608 arising from collections through automated teller machine ("ATM") is not available for use at 31 March 2013 (31 March 2012- TL 5.508).

Within the context of the Bank Account Pledge Agreement signed by Avea and its lenders, Avea provided an account pledge over all of its bank accounts amounting to TL 410.587 at 31 March 2013 ; (2012- TL 508.781) in favour of Security Trustee. Avea is required to pledge any new bank account as they are opened and also to inform the Security Trustee about such new accounts as well as the closed accounts.

Out of TL 1.428.723 (31 December 2012- TL 960.788), cash and cash equivalents amounting to TL 410.610 (31 December 2012 – TL 508.809) belongs to Avea.

At 31 March 2013, the Group had available of Euro 70.000 and USD 150.000 undrawn committed borrowing facilities.

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## Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

### Notes to the consolidated financial statements

for the period ended 31 March 2013 (continued)

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

#### 7. Due from and due to related parties - net

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

Institutions under state control are defined as related parties due to 30% ownership and the golden share of the Treasury. State controlled entities are defined as related parties but in accordance with the exemption given from the IAS 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 2013 and 31 December 2012 are disclosed below:

|                                                              | 31 March 2013 | 31 December 2012 |
|--------------------------------------------------------------|---------------|------------------|
| <b>Due from related parties</b>                              |               |                  |
| <b>Parent company</b>                                        |               |                  |
| Saudi Telecom Company ("STC") (2)                            | 4.736         | 5.240            |
| <b>Other related parties</b>                                 |               |                  |
| Oger Telekom Yönetim Hizmetleri Limited Şirketi ("OYTH") (1) | 174           | 151              |
| Other                                                        | 804           | 382              |
|                                                              | <b>5.714</b>  | <b>5.773</b>     |
| <b>Due to related parties</b>                                |               |                  |
| <b>Parent company</b>                                        |               |                  |
| STC (2)                                                      | 976           | 784              |
| <b>Other related parties</b>                                 |               |                  |
| OTYH (1)                                                     | 6.490         | 6.552            |
| Other                                                        | -             | 53               |
|                                                              | <b>7.466</b>  | <b>7.389</b>     |

(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 subsidiaries that are operating in the telecommunications sector, are required to pay 1% of universal service fund and 0,35% of ICTA share to the Ministry of Transport and Communications under the law Global Service Act numbered 5369.

As of 31 March 2013, unpaid portion of these liabilities are recorded under other short term liabilities (Note 11) and reflected to cost of sales account.

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## Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

### Notes to the consolidated financial statements

for the period ended 31 March 2013 (continued)

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

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

##### *Transactions with other related parties:*

Postage services have been rendered by PTT to the Company. Besides, PTT is collecting Turk Telekom's and TNet's invoices and in return for these services collection commissions are paid to PTT.

Operational lease payment made to PTT by the Company in 2013 as part of the lease agreement amounts to TL 15.405 (31 March 2012– TL 15.121).

The Company is rendering and receiving international traffic carriage services and data line rent services to and from STC. Total revenues and expenses incurred in relation to these services amounted to TL 8.466 and TL 249, respectively, as of 31 March 2013 (31 March 2012 – TL 4.961 revenues and TL 233 expenses)

##### *Compensation of key management personnel*

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

|                                 | 31 March 2013 | 31 March 2012 |
|---------------------------------|---------------|---------------|
| Short-term benefits             | 11.460        | 24.201        |
| Long-term defined benefit plans | 546           | 215           |
|                                 | <b>12.006</b> | <b>24.416</b> |

Furthermore, OTMSC charged to the Company a management fee amounting to TL 5.426 and an expense fee for an amount of TL 81 for the period ended 31 March 2013 (31 March 2012 – TL 3.767 and TL 33), based on the contract between OTMSC and the Company. OTMSC's ultimate shareholder is Saudi Oger. Significant portion of this payment represents salaries of key management personnel. The contract has been renewed on 15 April 2012 for an annual charge of USD 12.000 (prior contract value: 8.500 USD) for three years.

##### *Guarantees provided to related parties:*

The guarantees given by the Company to support the long term financing of Avea and Pantel are explained in Note 8.

The Company guaranteed EUR 8.000 to support financing of Cetel.

**Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**

**Notes to the consolidated financial statements  
for the period ended 31 March 2013 (continued)**

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

**8. Financial liabilities– Net**

**Bank Borrowings**

Bank borrowings and financial leaseings used by the Group during the period ended 31 March 2013 amounts to TL 2.728.155 (31 March 2012 – TL 6.566.537).

The total principal repayment of bank borrowings and financial leases during the period ended 31 March 2013 amounts to TL 2.218.390 (31 March 2012 – TL 6.388.886).

|                                                         | 31 March 2013                              |                 |                  | 31 December 2012                           |                 |                  |
|---------------------------------------------------------|--------------------------------------------|-----------------|------------------|--------------------------------------------|-----------------|------------------|
|                                                         | Weighted average nominal interest rate (%) | Original amount | TL equivalent    | Weighted average nominal interest rate (%) | Original amount | TL equivalent    |
| <b>Short-term borrowings:</b>                           |                                            |                 |                  |                                            |                 |                  |
| TL bank borrowings with fixed interest rates            | 6,18                                       | 1.004.411       | 1.004.411        | 5,17                                       | 284.162         | 284.162          |
| <b>Interest accruals:</b>                               |                                            |                 |                  |                                            |                 |                  |
| TL bank borrowings with fixed interest rates            |                                            | 2.012           | 2.012            |                                            | 604             | 604              |
| USD bank borrowings with fixed interest rates           |                                            | 4.852           | 8.776            |                                            | 1.386           | 2.471            |
| USD bank borrowings with variable interest rates        |                                            | 4.120           | 7.452            |                                            | 8.615           | 15.357           |
| Euro bank borrowings with fixed interest rates          |                                            | -               | -                |                                            | 0               | 0                |
| Euro bank borrowings with variable interest rates       |                                            | 7.271           | 16.861           |                                            | 7.769           | 18.270           |
| JPY bank borrowings with variable interest rates        |                                            | 1.848           | 35               |                                            | 37.201          | 768              |
| <b>Short-term portion of long-term bank borrowings:</b> |                                            |                 |                  |                                            |                 |                  |
| USD bank borrowings with fixed interest rates           | 3,05                                       | 166.862         | 301.803          | 2,98                                       | 165.368         | 294.785          |
| USD bank borrowings with variable interest rates (*)    | 3,35                                       | 224.505         | 406.062          | 3,47                                       | 187.824         | 334.815          |
| Euro bank borrowings with fixed interest rates          | -                                          | 0               | 0                | -                                          | -               | -                |
| Euro bank borrowings with variable interest rates (**)  | 2,62                                       | 240.627         | 557.990          | 2,84                                       | 166.034         | 390.462          |
| <b>Total short-term borrowings</b>                      |                                            |                 | <b>2.305.402</b> |                                            |                 | <b>1.341.694</b> |
| <b>Long-term borrowings:</b>                            |                                            |                 |                  |                                            |                 |                  |
| USD bank borrowings with fixed interest rates           | 3,05                                       | 266.575         | 482.154          | 2,98                                       | 257.611         | 459.217          |
| USD bank borrowings with variable interest rates (*)    | 3,35                                       | 879.565         | 1.590.869        | 3,47                                       | 1.010.218       | 1.800.815        |
| Euro bank borrowings with variable interest rates (**)  | 2,62                                       | 883.635         | 2.049.061        | 2,84                                       | 980.582         | 2.306.035        |
| JPY bank borrowings with variable interest rates (***)  | 2,66                                       | 4.953.316       | 95.000           | 281,94%                                    | 4.951.728       | 102.283          |
| <b>Total long-term borrowings</b>                       |                                            |                 | <b>4.217.084</b> |                                            |                 | <b>4.668.350</b> |
| <b>Total financial liabilities</b>                      |                                            |                 | <b>6.522.486</b> |                                            |                 | <b>6.010.044</b> |

(\*) Libor + (varies between %1,70 – %3,35) spread

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

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

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**8. Financial Liabilities - Net (continued)**

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

|                                                   | 31 March 2013    |                       |                      |                     |                  | 31 December 2012 |                       |                      |                     |                  |
|---------------------------------------------------|------------------|-----------------------|----------------------|---------------------|------------------|------------------|-----------------------|----------------------|---------------------|------------------|
|                                                   | Up to<br>3 moths | 3 months to<br>1 year | 1 year to 5<br>years | More than 5<br>year | Total            | Up to<br>3 moths | 3 months to 1<br>year | 1 year to 5<br>years | More than 5<br>year | Total            |
| TL bank borrowings with fixed interest rates      | 991.641          | 14.782                | -                    | -                   | 1.006.423        | 272.356          | 12.410                | -                    | -                   | 284.766          |
| US bank borrowings with fixed interest rates      | 58.622           | 251.957               | 390.680              | 91.474              | 792.733          | 2.826            | 294.430               | 369.379              | 89.838              | 756.473          |
| US bank borrowings with variable interest rates   | 14.492           | 399.022               | 1.165.081            | 425.788             | 2.004.383        | 207.895          | 142.277               | 1.333.293            | 467.522             | 2.150.987        |
| Euro bank borrowings with fixed interest rates    | -                | -                     | -                    | -                   | -                | 0                | 0                     | -                    | -                   | 0                |
| Euro bank borrowings with variable interest rates | 112.092          | 462.759               | 1.822.642            | 226.419             | 2.623.912        | 103.623          | 305.109               | 2.079.052            | 226.983             | 2.714.767        |
| JPY bank borrowings with variable interest rates  | 0                | 35                    | 95.000               | -                   | 95.035           | 768              | -                     | 102.283              | -                   | 103.051          |
|                                                   | <b>1.176.847</b> | <b>1.128.555</b>      | <b>3.473.403</b>     | <b>743.681</b>      | <b>6.522.486</b> | <b>587.468</b>   | <b>754.226</b>        | <b>3.884.007</b>     | <b>784.343</b>      | <b>6.010.044</b> |

**Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**

**Notes to the consolidated financial statements**

**for the period ended 31 March 2013 (continued)**

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

**8. Financial liabilities (continued)**

The following borrowings of Avea as of 31 March 2013 and 31 December 2012 are secured by a security package:

|                                        | 31 March 2013 |       |               | 31 December 2012 |       |               |
|----------------------------------------|---------------|-------|---------------|------------------|-------|---------------|
|                                        | US Dollar     | Euro  | TL equivalent | US Dollar        | Euro  | TL equivalent |
| Borrowings secured by security package | 22.112        | 2.908 | 46.737        | 79.871           | 9.148 | 163.892       |

Before the merger of the Company's former subsidiary of Aycell Haberleşme ve Pazarlama Hizmetleri A.Ş. ("Aycell") with Aria İletişim Hizmetleri A.Ş. ("Aria", former subsidiary of İş-TİM Telekomünikasyon Hizmetleri A.Ş.), Aria was granted financing from its network suppliers in 2001 for the acquisition of its property and equipment secured with a security package created in favour of the Security Agent acting on behalf of the Senior Secured Creditors of Avea. In 2004, subsequent to merger of Aria and Aycell, the security package was revised. Accordingly, the revised security package consists of:

As of 31 March 2013 a maximum total amount of TL 46.734 equivalent to USD 22.112 and Euro 2.908 (31 December 2012 – TL 163.892 equivalent to USD 79.871 and Euro 9.148) guarantees represented below are given for financial liabilities of Avea.

- Commercial Enterprise Pledge on all movable fixed assets of commercial enterprise of Aria and the trade name of Avea, (excluding the movable fixed assets of commercial enterprise of Aycell). The Commercial Enterprise Pledge secures the Senior Secured Financial Indebtedness of Avea up to a maximum amount of TL 1 million (equivalent to USD 552.883 as at 31 March 2013).
- Account pledges on all the bank accounts of Avea, which do not restrict operational usage of the accounts in the normal course of business (31 March 2013 - TL 410.587; 31 December 2012 - TL 508.781).
- Mortgage on the building of AVEA in Ümraniye amounting up to US Dollar 40.600 in favor of the Security Agent.
- Assignment of Receivables: The material contracts entered into by Avea that results in a revenue or cost to Avea over US Dollar 20.000 per annum are assigned as security in favour of the Lenders as part of Security Package. In case of an event of default, Avea counterparties under material contracts will perform any of their obligations towards Lenders in the same conditions as they were valid to Avea during the normal course of business.
- Debt Service Reserve Fund: Restricted accounts used to ensure that in order to meet debt service after six months (Note 6).

Addition to the security package, other terms are summarized below:

1. Financial covenants (ratios):

- a) Based on the consolidated financial statements, Debt Service Coverage Ratio should be 5 at minimum. The ratio is calculated by dividing income before interest, tax, depreciation, and amortization for the last four financial periods, ("Türk Telekom consolidated EBITDA") to the payment obligations in the related periods excluding the principal repayments.
- b) Türk Telekom consolidated net debt to Türk Telekom consolidated EBITDA Ratio should be 2 at maximum.

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### Notes to the consolidated financial statements for the period ended 31 March 2013 (continued)

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#### 8. Financial liabilities (continued)

2. General undertakings, among others, are:

- a) License agreement ("Avea's Concession Agreement") must be maintained in full force and effect.
- b) To keep Avea's business unaffected from any sale or disposal of any assets, there is an annual limitation of US Dollar 10.000 for selling, leasing or disposing of its assets, with some exceptions determined in the Finance Documents.
- c) Avea created security over its assets in favour of the lenders as collateral that should not be diluted with new securities created over the same assets.

The Company also supports the long-term financing of Avea in the form of:

- a) US Dollar 300.000 "Contingent Equity Support" to be drawn when cash generated by Avea is insufficient to pay its debt service,
- b) US Dollar 500.000 "Corporate Guarantee" to be called in an event of default,
- c) Pledging shares it owns in Avea,
- d) Assignment of Receivables: As a condition to the facilities being made available to Avea, the Company is obliged to assign its rights, titles, interests and benefits in, to and under its receivables and the claims arising from Subordinated Loan Agreements made towards Avea and in respect of each condemnation event, in favor of the Security Trustee as a continuing security for the fulfilment of the secured obligations.
- e) Company also provides extra support on demand of Avea due to operational or financial shortage amounting to US Dollar 450.000. (additional support)

The support has been wholly used as of 31 March 2013.

- f) Türk Telekom provides support amounting to Euro 214.000 for financing of 3G license fee.

The support has been wholly used as of 31 March 2013.

- g) Türk Telekom provides support amounting to US Dollar 250.000 for financing acquisition of assets under Ericsson 2G and 3G contract.

The support has been wholly used as of 31 March 2013.

Pantel Turkey borrowed Euro 10.000 loan in total from a Turkish bank's Bahrain Branch for the investment of construction of fiber optic lines. In return for this loan, Pantel Turkey assigned its receivables amounting to its outstanding loan balance to the corresponding bank as a guarantee. As of 31 March 2013 loan payable amounts to Euro 1.334.

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

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### Notes to the consolidated financial statements for the period ended 31 March 2013 (continued)

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#### 9. Tangible and intangible assets

The amount of tangible and intangible assets purchased during the three month period ended 31 March 2013 is TL 254.457 (31 March 2012 – TL 404.840).

The cost of tangible and intangible assets sold during the three month period ended 31 March 2013 amounted to TL 7.758 (March 31, 2012 – TL 10.577).

Based on the decision of Board of Directors dated 30 April 2012 to sell 70 pieces of real estate, these assets were classified as held for sale (31 March 2013 – TL 25.848, 31 March 2012 – None). The assets are measured at the lower of their carrying value and fair value less costs to sell.

#### 10. Employee Termination Benefits

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

The retirement pay liability as at 31 March 2013 is subject to a ceiling of full TL 3.129,25 (31 December 2012 – full TL 3.033,98) per monthly salary for each service year.

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

|                                         | 1 January -<br>31 March 2013 | 1 January -<br>31 March 2012 |
|-----------------------------------------|------------------------------|------------------------------|
| Defined benefit obligation at January 1 | 749.489                      | 570.297                      |
| Current service cost                    | 13.372                       | 10.658                       |
| Interest cost                           | 12.480                       | 11.890                       |
| Actuarial (loss) / gain (*)             | 37.074                       | -                            |
| Benefits paid by the group              | (192.440)                    | (2.293)                      |
| Foreign currency translation difference | (13)                         | (19)                         |
| <b>Liabilities as at 31 December</b>    | <b>619.962</b>               | <b>590.533</b>               |

- (\*) As at 31 March 2013, actuarial gain amounting to TL 37.086 (31 March 2012 – None) has been reflected to other comprehensive income.

- ii) Analysis of the present value of the defined benefit obligation to the liabilities recognized in the balance sheet:

|                                                    | 31 March 2013  | 31 March 2012  |
|----------------------------------------------------|----------------|----------------|
| Present value of defined benefit obligations       | 619.962        | 590.533        |
| Unrecognized past service cost                     | -              | (7.708)        |
| <b>Net liability recorded in the balance sheet</b> | <b>619.962</b> | <b>582.825</b> |

- iii) Total expense recognized in the consolidated statement of income:

|                                                                              | 1 January -<br>31 March 2013 | 1 January -<br>31 March 2012 |
|------------------------------------------------------------------------------|------------------------------|------------------------------|
| Current service cost                                                         | 13.372                       | 10.658                       |
| Interest cost                                                                | 12.480                       | 11.890                       |
| Past service cost                                                            | -                            | 2.083                        |
| <b>Total net cost recognized in the consolidated<br/>statement of income</b> | <b>25.852</b>                | <b>24.631</b>                |

**Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**

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**for the period ended 31 March 2013 (continued)**

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

**10. Employee Termination Benefits (continued)**

iv) Principal actuarial assumptions use:

|                                    | <b>31 March 2013</b> | 31 March 2012 |
|------------------------------------|----------------------|---------------|
| Discount rate                      | % 8.5                | % 10          |
| Expected rate of ceiling increases | % 5.0                | % 5.1         |

The voluntary withdrawal rate for the next years for the Group's remaining employees is estimated to change between 0,62% and 7,06% (2012 – 0,66% and 7,08%).

**11. Other current and non-current assets**

**Other current assets**

|                                                     | <b>31 March 2013</b> | 31 December 2012 |
|-----------------------------------------------------|----------------------|------------------|
| Income accrual (1)                                  | <b>575.243</b>       | 502.882          |
| Other prepaid expenses                              | <b>214.636</b>       | 116.688          |
| Prepaid rent expense (3)                            | <b>153.544</b>       | 101.512          |
| Intermediary services for collection (2)            | <b>134.079</b>       | 131.052          |
| Advances given (4)                                  | <b>87.451</b>        | 68.910           |
| VAT and Special Communications Tax (SCT) receivable | <b>37.207</b>        | 65.840           |
| Other current assets                                | <b>8.468</b>         | 4.526            |
|                                                     | <b>1.210.628</b>     | 991.410          |

- 1) Income accruals mainly consists of GSM and ADSL post-paid subscription income accruals and unbilled equipment sales income within the context of campaigns.
- 2) Intermediary services and sales for collection consist of advances given by Avea to its distributors.
- 3) Prepaid rent expenses consist mainly of the prepaid rents paid for Avea's base stations.
- 4) Advances given consist of advances for inventory, tangible and intangible assets purchases and advances given to personnel.

**Other non-current assets**

|                                          | <b>31 March 2013</b> | 31 December 2012 |
|------------------------------------------|----------------------|------------------|
| Prepaid rent expense                     | <b>9.290</b>         | 9.855            |
| Intermediary services for collection (2) | <b>26.920</b>        | 34.756           |
| Other non-current assets                 | <b>18.229</b>        | 14.430           |
|                                          | <b>54.439</b>        | 59.041           |

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

**11. Other current and non-current assets (continued)**

|                                        | <b>31 March 2013</b> | 31 December 2012 |
|----------------------------------------|----------------------|------------------|
| Expense accruals (1)                   | <b>431.184</b>       | 363.151          |
| Advances received (2)                  | <b>170.477</b>       | 171.800          |
| Accrual for Universal Service Fund (4) | <b>134.353</b>       | 104.802          |
| Accrual for capital expenditures (3)   | <b>74.129</b>        | 112.306          |
| Accrual for contribution to the ICTA   | <b>63.341</b>        | 50.727           |
| Deferred revenue (5)                   | <b>58.466</b>        | 79.854           |
| Accrual for the Treasury Share         | <b>50.769</b>        | 49.151           |
| Other payables                         | <b>5.399</b>         | 13.138           |
|                                        | <b>988.118</b>       | 944.929          |

- 1) Expense accruals mainly comprise of accruals for dealer commissions and interconnection services.
- 2) The Company acts as an intermediary of Ministry of Defence and North Atlantic Treaty Organization (NATO) projects by transferring advances received to the contractors and supports the management of the projects. Expenditures arising from the projects are deducted from the advances received at the date of the expenditure. Advances not used are held as time deposits and the interest earned is credited to the advances received in accordance with the agreement between the parties (Note 6).
- 3) Capital expenditure accruals represents the liability for the fixed asset purchases that have been recognized but the invoice from the supplier has not been received yet.
- 4) According to the article numbered 5369 related with "International Service Fund" published on 16 June 2005, Türk Telekom and TNet will contribute 1% of their net revenues of each year to the Ministry of Transportation as Universal Service Fund. The contribution is payable by the end of April of the following year.
- 5) Deferred revenue consists of the invoiced but unconsumed minutes' sales value.

**Other non-current liabilities**

|                      | <b>31 March 2013</b> | 31 December 2012 |
|----------------------|----------------------|------------------|
| Deferred Revenue (*) | <b>172.438</b>       | 158.717          |
| Advances taken (**)  | <b>75.192</b>        | 77.565           |
|                      | <b>247.630</b>       | 236.282          |

(\*) Deferred revenues mainly result from Pantel's indefeasible right of use contracts.

(\*\*) Advances taken mainly result from the advances taken by Pantel according to indefeasible right of use contracts.

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### Notes to the consolidated financial statements for the period ended 31 March 2013 (continued)

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#### 12. Minority put option liability

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

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

While determining fair value of minority put option liability as of 31 March 2013, it had been assumed that İş Bankası Group would exercise its option on 1 January 2015. The Company has estimated a value based discounted cash flows after 31 December 2014. The value determined as at 1 January 2015 is then discounted back to 31 March 2013. The fair value of the put option liability as at 31 March 2013 amounts to TL 467.561 (31 December 2012 – TL 467.561). In accordance with Group's accounting policies, the change between fair values of minority put option liabilities as of 31 March 2013 and 31 December 2012 has been accounted in other reserves under equity.

In order to reflect the minority put option liability in the consolidated financial statements, the minority interest (after giving the effect of loss) as at 31 March 2013, amounting to negative TL 277.136 (31 December 2012 –TL 286.845), has been reclassified from equity to "minority put option liability" under long-term liabilities after appropriation of profit / loss to the minority interest for the year. The fair value of minority put option liability, has been determined as TL 467.561 (31 December 2012 - TL 467.561), and the difference of TL 190.424 (31 December 2012 - TL 180.716) is reflected in equity as "minority put option liability reserve", based on the Group's accounting policy for the acquisition of minority interest.

The fair value of the minority put option liability has been estimated based on multiple approaches including discounted cash flows after 31 December 2014. The enterprise value used as a base for the put option fair value determination has been calculated using cash flow projections from the business plan of Avea covering a five-year plan. WACC used for the discount of cash flows are 13,7% and 14,7% for taxable and non-taxable periods, respectively. The valuation is tested at a sensitivity of +2% / -2%. The value in use projections are based on a discounted cash flow (DCF) study implemented until 2029. The average of the values determined as of 1 January 2015 is then discounted back to 31 December 2012.

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### Notes to the consolidated financial statements

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### 13. Commitments and contingencies

Guarantees received and given by the Group are summarized below:

|                      |          | 31 March 2013        |         | 31 December 2012     |         |
|----------------------|----------|----------------------|---------|----------------------|---------|
|                      |          | Original<br>currency | TL      | Original<br>currency | TL      |
| Guarantees received  | USD      | 231.273              | 418.303 | 276.378              | 492.671 |
|                      | TL       | 705.122              | 705.122 | 718.981              | 718.981 |
|                      | Euro     | 87.953               | 203.954 | 92.155               | 216.721 |
|                      | Sterling | 8                    | 22      | 8                    | 23      |
|                      |          | <b>1.327.401</b>     |         | <b>1.428.396</b>     |         |
| Guarantees given (*) | USD      | 162.020              | 293.046 | 160.402              | 285.933 |
|                      | TL       | 160.469              | 160.469 | 171.901              | 171.901 |
|                      | Euro     | 24.556               | 56.943  | 14.678               | 34.518  |
|                      | Other    | 39                   | 21      | -                    | -       |
| <b>Total</b>         |          | <b>510.479</b>       |         | <b>492.352</b>       |         |

(\*) US Dollar 151.500 of the amount (2012 – US Dollar 151.500) is related with the guarantee provided to the ICTA by Avea with respect to the Avea Concession Agreement and Euro 12.840 is related with the guarantee provided for 3G (2012 – Euro 12.840) license.

The Company's guarantee, pledge and mortgage (GPM) position as at 31 March 2013 and 31 December 2012 is as follows:

| GPMs given by the Company                                                                                  | 31 March 2013    | 31 December 2012 |
|------------------------------------------------------------------------------------------------------------|------------------|------------------|
| A.GPMs given on behalf of the Company's legal personality                                                  | 1.994.278        | 2.324.106        |
| B.GPMs given in favor of subsidiaries included in full consolidation                                       | 1.554.525        | 1.535.164        |
| C.GPMs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business | -                | -                |
| D.Other GPMs                                                                                               | 18.551           | 18.814           |
| i. GPMs given in favor of parent company                                                                   | -                | -                |
| ii. GPMs given in favor of Company companies not in the scope of B and C above                             | 18.551           | 18.814           |
| iii. GPMs given in favor of third party companies not in the scope of C above                              | -                | -                |
|                                                                                                            | <b>3.567.354</b> | <b>3.878.084</b> |

GPMs given by the Group as at 31 March 2013 are equivalent to 0,27% of the Company's equity (31 December 2012 – 0,29%).

Based on law 128/1 of Turkish Code of Obligations, Avea has given TL 50.000 amounted guarantee to Mobil İletişim A.Ş. for the financial obligation that would arise during the purchase of devices that will be sold as commitment sales by Avea.

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### **Notes to the consolidated financial statements for the period ended 31 March 2013 (continued)**

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#### **13. Commitments and contingencies (continued)**

##### **Legal proceedings of Türk Telekom**

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

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

###### *Interconnection tariff and leased line disputes:*

The Company and Turkcell have disputes over international interconnection and leased line rates charged by the Company. The Company provided a provision for principal and interest amounting to TL 107.146 as of 31 March 2013 (31 December 2012–TL 103.400).

##### Disputes between the Company and its former personnel

In the scope of the ongoing restructuring of the personnel organization of the Company in order to achieve the number of personnel identified, the contracts of the employees who are entitled for pension and who are regarded as a surplus to the Company have been terminated based on the Board of Directors Decision. Accordingly, certain part of those employees has filed re-employment lawsuits against the Company. Most of the courts decided against the Company while the remaining cases are still ongoing. Provision amounting to TL 6.157 (31 December 2012 – TL 6.766) has been provided as of 31 March 2013 for the ongoing cases.

##### Disputes between the Company and Istanbul Metropolitan Municipality

Total amount filed against the Company by Istanbul Metropolitan Municipality as contribution to the infrastructure investment and municipality share is TL 26.855. A cumulative provision amounting to TL 50.326 (31 December 2012 – TL 49.739) including the nominal amount and legal interest charges has been recognised as at 31 March 2013.

##### **Legal proceedings of Avea**

##### Monetary penalties to Avea by Ministry of Finance and penalty provisions

The Company has recognized a provision amounting to TL 983 for the ongoing cases in relation to VAT, SCT and Reversed Charge VAT on International Roaming Services and for the years not subject to investigation about the same subjects as of 31 March 2013. (31 December 2012- TL 935).

##### **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 2013 TL 449 provision provided for ICTA penalties (31 December 2012: TL 8.713).

##### **Other issues**

Provision has been provided in the consolidated financial statements for the probable court cases against the Group whose litigation amount was TL 40.811 based on the lawyers' assessments. The provision for such court cases is amounting to TL 20.818 as at 31 March 2013 (31 December 2012 – TL 19.654). 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

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

**Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**

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**14. Financial risk management objectives and policies**

**Foreign currency risk**

|                                                                                                                            | 31 March 2013      |                    |                    |                    |              |              | 31 December 2012   |                    |                    |                    |            |              |
|----------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------|--------------|--------------------|--------------------|--------------------|--------------------|------------|--------------|
|                                                                                                                            | TL Equivalent      | US Dollar          | Euro               | JPY                | GBP          | Other        | TL equivalent      | USD                | Euro               | JPY                | GBP        | Other        |
| 1. Trade receivables                                                                                                       | 183.206            | 41.948             | 45.735             | -                  | -            | 1.612        | 180.368            | 42.128             | 44.436             | -                  | -          | 1.612        |
| 2a. Monetary financial assets (Cash and banks accounts included)                                                           | 248.847            | 103.093            | 26.896             | -                  | 5            | -            | 306.121            | 141.317            | 22.491             | -                  | 459        | -            |
| 2b. Non-monetary financial assets                                                                                          | -                  | -                  | -                  | -                  | -            | -            | -                  | -                  | -                  | -                  | -          | -            |
| 3. Other                                                                                                                   | 15.871             | 3.739              | 3.914              | -                  | 11           | -            | 20.934             | 3.152              | 6.499              | -                  | 11         | -            |
| <b>4. Current assets (1+2+3)</b>                                                                                           | <b>447.924</b>     | <b>148.780</b>     | <b>76.545</b>      | <b>-</b>           | <b>16</b>    | <b>1.612</b> | <b>507.423</b>     | <b>186.597</b>     | <b>73.426</b>      | <b>-</b>           | <b>470</b> | <b>1.612</b> |
| 5. Trade receivables                                                                                                       | -                  | -                  | -                  | -                  | -            | -            | -                  | -                  | 436                | -                  | -          | -            |
| 6a. Monetary financial assets                                                                                              | 222                | -                  | 96                 | -                  | -            | -            | 205                | -                  | 87                 | -                  | -          | -            |
| 6b. Non-monetary financial assets                                                                                          | -                  | -                  | -                  | -                  | -            | -            | -                  | -                  | -                  | -                  | -          | -            |
| 7. Other                                                                                                                   | 525                | 71                 | 171                | -                  | -            | -            | 529                | 71                 | 171                | -                  | -          | -            |
| <b>8. Non-current assets (5+6+7)</b>                                                                                       | <b>747</b>         | <b>71</b>          | <b>267</b>         | <b>-</b>           | <b>-</b>     | <b>-</b>     | <b>734</b>         | <b>71</b>          | <b>694</b>         | <b>-</b>           | <b>-</b>   | <b>-</b>     |
| <b>9. Total assets (4+8)</b>                                                                                               | <b>448.671</b>     | <b>148.851</b>     | <b>76.812</b>      | <b>-</b>           | <b>16</b>    | <b>1.612</b> | <b>508.157</b>     | <b>186.668</b>     | <b>74.120</b>      | <b>-</b>           | <b>470</b> | <b>1.612</b> |
| 10. Trade payables                                                                                                         | 310.215            | 98.810             | 56.508             | -                  | 117          | -            | 573.803            | 201.188            | 91.407             | -                  | 57         | (2)          |
| 11. Financial liabilities                                                                                                  | 1.286.006          | 401.330            | 241.530            | 1.848              | -            | -            | 1.049.724          | 366.408            | 168.302            | 37.201             | -          | -            |
| 12a. Monetary other liabilities                                                                                            | 37.918             | 7.835              | 10.241             | -                  | -            | -            | 45.504             | 8.151              | 13.171             | -                  | -          | -            |
| 12b. Non-monetary other liabilities                                                                                        | -                  | -                  | -                  | -                  | -            | -            | -                  | -                  | -                  | -                  | -          | -            |
| <b>13. Short-term liabilities (10+11+12)</b>                                                                               | <b>1.634.139</b>   | <b>507.975</b>     | <b>308.279</b>     | <b>1.848</b>       | <b>117</b>   | <b>-</b>     | <b>1.669.031</b>   | <b>575.747</b>     | <b>272.880</b>     | <b>37.201</b>      | <b>57</b>  | <b>(2)</b>   |
| 14. Trade payables                                                                                                         | -                  | -                  | -                  | -                  | -            | -            | -                  | -                  | -                  | -                  | -          | -            |
| 15. Financial liabilities                                                                                                  | 4.149.742          | 1.147.043          | 853.890            | 4.953.316          | -            | -            | 4.602.215          | 1.268.821          | 951.708            | 4.951.728          | -          | -            |
| 16 a. Monetary other liabilities                                                                                           | 76.382             | 314                | 32.694             | -                  | -            | -            | 84.012             | 314                | 35.485             | -                  | -          | -            |
| 16 b. Non-monetary other liabilities                                                                                       | -                  | -                  | -                  | -                  | -            | -            | -                  | -                  | -                  | -                  | -          | -            |
| 17. Long-term liabilities (14+15+16)                                                                                       | 4.226.124          | 1.147.357          | 886.584            | 4.953.316          | -            | -            | 4.686.227          | 1.269.135          | 987.193            | 4.951.728          | -          | -            |
| <b>18. Total liabilities (13+17)</b>                                                                                       | <b>5.860.263</b>   | <b>1.655.332</b>   | <b>1.194.863</b>   | <b>4.955.164</b>   | <b>117</b>   | <b>-</b>     | <b>6.355.258</b>   | <b>1.844.882</b>   | <b>1.260.073</b>   | <b>4.988.929</b>   | <b>57</b>  | <b>(2)</b>   |
| <b>19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b)</b>                            | <b>-</b>           | <b>-</b>           | <b>-</b>           | <b>-</b>           | <b>-</b>     | <b>-</b>     | <b>-</b>           | <b>-</b>           | <b>-</b>           | <b>-</b>           | <b>-</b>   | <b>-</b>     |
| 19a. Total asset amount hedged                                                                                             | -                  | -                  | -                  | -                  | -            | -            | -                  | -                  | -                  | -                  | -          | -            |
| 19b. Total liability amount hedged                                                                                         | -                  | -                  | -                  | -                  | -            | -            | -                  | -                  | -                  | -                  | -          | -            |
| <b>20. Net foreign currency asset/(liability) position (9-18+19)</b>                                                       | <b>(5.411.592)</b> | <b>(1.506.481)</b> | <b>(1.118.051)</b> | <b>(4.955.164)</b> | <b>(101)</b> | <b>1.612</b> | <b>(5.847.101)</b> | <b>(1.658.214)</b> | <b>(1.185.953)</b> | <b>(4.988.929)</b> | <b>413</b> | <b>1.614</b> |
| <b>21. Net asset/(liability) position of foreign currency monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b> | <b>(5.427.988)</b> | <b>(1.510.291)</b> | <b>(1.122.136)</b> | <b>(4.955.164)</b> | <b>(112)</b> | <b>1.612</b> | <b>(5.868.564)</b> | <b>(1.661.437)</b> | <b>(1.192.623)</b> | <b>(4.988.929)</b> | <b>402</b> | <b>1.614</b> |
| 22. Fair value of FX swap financial instruments                                                                            | -                  | -                  | -                  | -                  | -            | -            | -                  | -                  | -                  | -                  | -          | -            |

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**14. Financial risk management objectives and policies (continued)**

**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

Fair value hierarchy table as at 31 March 2013 is as follows:

| <b>Financial assets at fair value through profit or loss:</b>      | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |
|--------------------------------------------------------------------|----------------|----------------|----------------|
| Swap transactions                                                  | -              | 2.642          | -              |
| <b>Financial liabilities at fair value through profit or loss:</b> |                |                |                |
| Swap transactions                                                  | -              | 26.589         | -              |
| Minority put option liability (Note 12)                            | -              | -              | 467.561        |

Fair value hierarchy table as at 31 December 2012 is as follows:

| <b>Financial assets at fair value through profit or loss:</b>      | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |
|--------------------------------------------------------------------|----------------|----------------|----------------|
| Swap transactions                                                  | -              | 535            | -              |
| Forward trasactions                                                | -              | -              | -              |
| <b>Financial liabilities at fair value through profit or loss:</b> |                |                |                |
| Swap transactions                                                  | -              | 38.931         | -              |
| Minority put option liability (Note 12)                            | -              | -              | 467.561        |

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#### **14. Financial risk management objectives and policies (continued)**

##### **Capital management policies**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or return capital to shareholders. No changes were made in the objectives, policies or processes during the years 2013 and 2012.

#### **15. Other financial investments and other financial liabilities**

##### **Cash flow hedges**

##### ***Interest rate swaps***

Avea has entered into three separate interest rate hedging transactions as the First Hedge, Overlay 1 and Overlay 2 to control its exposure to interest rate risk of expected future cash outflows in relation to its floating rate debt in 2007 and 2008.

As of 28 September 2009, Avea has restructured its interest hedging transaction for the critical term match of the early payment as of 30 September 2009 which has replaced the current interest hedging transaction. As the Amended and Restated Transaction resulted in a change in the hedge structure the effect of the old hedge (which leads to significant negative fair value of the hedge as of inception date- 30 September 2009) and new hedge is separated and the effect of old hedge relating to outstanding borrowing after prepayment is followed up separately. The new hedge is found as effective as result of effectiveness test and effective fair value of the new hedge with an amount of TL 360 is continued to be recognized under equity reserves. The fair value of old hedge as of September 28, 2009, which being recognized under other comprehensive income, (US Dollar 31.8 million) will be amortized until 2015 which is the residual maturity of original hedge relationship. As of 31 March 2013 the unamortized portion of old hedge which is recognized under equity reserves amounts to TL 400.

As of 31 March 2013, notional amount that will be due till 30 September 2013 amounts to US Dollar 22.110 (TL 39.990) and Euro 2.907 (TL 6.741).

As of 31 March 2013, fair value of the interest rate swap transactions of Avea amount to TL 1.343 (31 December 2012 – TL 5.754). As of 31 March 2013, unrealized interest rate swap loss amounting to TL 1.166 (31 December 2012 – TL 1.926) has been recognized under other comprehensive income. For the period ended 31 March 2013, realized interest rate swap loss amounting to TL 4.504 (31 December 2012 – TL 28.059) and unrealized interest rate swap gain amounting to TL 3.245 (31 December 2012 – TL 14.839) has been reflected to consolidated income statements.

The Company has entered into a 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 order to hedge a portion of its variable rate long term bank borrowings. As of 31 March 2013, fair value of interest rate swap transactions amounts to TL 1.857 has been classified to other current financial liabilities and fair value of interest rate swap transactions amounts to TL 23.389 has been classified to other non-current financial liabilities (31 December 2012 – 33.177).The interest rate swaps are assessed to be effective hedges and a net change in fair value of interest rate swaps amounting to TL 7.931 as at 31 March 2013 has been recognized in other comprehensive income.

**Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries****Notes to the consolidated financial statements****for the period ended 31 March 2013 (continued)**

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

**15. Other financial investments and other financial liabilities (continued)****Cash flow hedges (continued)****Interest rate swaps (continued)**

| Company                       | Notional Amounts (USD) | Trade Date                    | Maturity Date     | Terms                                                                                    | Fair Value Amount as at 31 March 2013 (TL) |
|-------------------------------|------------------------|-------------------------------|-------------------|------------------------------------------------------------------------------------------|--------------------------------------------|
| Türk Telekom                  | 400.000                | 11 April 2012 – 30 April 2012 | 19 March 2014     | Pay fixed rates and receive floating rates between March 2012 and March 2014             | (1.857)                                    |
| Türk Telekom                  | 400.000                | 11 April 2012 – 30 April 2012 | 21 March 2022     | Pay fixed rates and receive floating rates between March 2014 and March 2022             | (23.389)                                   |
| Avea                          | 25.837                 | 28 September 2009             | 30 September 2013 | Pay fixed rates, and receive floating rates, between 31 March 2009 and 30 September 2013 | (1.343)                                    |
|                               |                        |                               |                   |                                                                                          | <b>(26.589)</b>                            |
| Short term interest rate      |                        |                               |                   |                                                                                          | (3.200)                                    |
| Long term interest rate swaps |                        |                               |                   |                                                                                          | (23.389)                                   |

| Company                        | Notional amounts (US Dollar) | Trade date                   | Maturity date     | Terms                                                                                    | Fair value amount as at 31 December 2012 (TL) |
|--------------------------------|------------------------------|------------------------------|-------------------|------------------------------------------------------------------------------------------|-----------------------------------------------|
| Türk Telekom                   | 400.000                      | 11 April 2012– 30 April 2012 | 19 March 2014     | Pay fixed rates and receive floating rates between March 2012 and March 2014             | (2.029)                                       |
| Türk Telekom                   | 400.000                      | 11 April 2012– 30 April 2012 | 21 March 2022     | Pay fixed rates and receive floating rates between March 2014 and March 2022             | (31.148)                                      |
| Avea                           | 25.837                       | 28 September 2009            | 30 September 2013 | Pay fixed rates, and receive floating rates, between 31 March 2009 and 30 September 2013 | (5.754)                                       |
|                                |                              |                              |                   |                                                                                          | <b>(38.931)</b>                               |
| Short term interest rate swaps |                              |                              |                   |                                                                                          | (5.754)                                       |
| Long term interest rate swaps  |                              |                              |                   |                                                                                          | (33.177)                                      |

The Company has also entered into a eight-part cap transactions between 11 April 2012 and 30 April 2012 with a maturity date on 21 March 2022 and a total notional amount of US Dollar 400.000. As of 31 March 2013 fair value of derivative transactions amounting to TL 2.642 (31 December 2012 – 3.226) has been recognised under long term financial assets. Unrealised loss on these derivatives amounting to TL 585 (31 December 2012- TL 3.226 gain) has been recognised in the consolidated income statement.

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

## **Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**

### **Notes to the consolidated financial statements for the period ended 31 March 2013 (continued)**

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

## **15. Other financial investments and other financial liabilities (continued)**

### **Hedge of net investment in a foreign operation**

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