

Türk Telekomünikasyon A.Ş. Annual Report 2012



TÜRK
TELE
KOM



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Türk Telekom Group

37,524 members of one big family



TÜRK TELEKOM



AVEA

avea

TTNET

TTNET

PANTEL

PANTEL

İNNOVA

innova
geleceğe hazır çözümler

ASSISTT

assistt

ARGELA

ARGELA

SEBİT



SOBEE

SOBEE
STUDIOS

Year of Establishment	1995	2004	2006	2010
Core Business	Telecommunications	Mobile Communication	Internet Service Provider	Internet/data services, fiber optic infrastructure and total sales services provider
Share in Türk Telekom		%90	%100	%100
Number of Employees	24.183	1947	566	298
Highlights	14.3 million Subscribers TL 22.4 PSTN ARPU TL 9.6 billion fixed revenue TL 4.6 billion fixed EBITDA 7 million wholesale ADSL subscribers	13.5 million Subscribers TL 21.6 ARPU TL 3.5 billion sales revenue TL 486 million EBITDA	6 million ADSL retail subscribers TL 36.8 ARPU TL 3 billion sales revenue	Over 40,000-km optic fiber network, more than 50 points of presence in Europe by the end of 2012
Web Site	www.turktelekom.com.tr	www.avea.com.tr	www.ttnet.com.tr	www.pantel.co

1999	2007	2004	1988	2001
Information Technology	Guidance and Customer Services	Telecommunications infrastructure and services	Education and Information Technologies	Software
%100	%100	%100	%100	%100
684	9417	153	246	30
Offering solutions in international standards to 28 countries in 3 continents, Exporting Kiosk & Pay Flex products to many countries beyond the borders of Turkey	Serviced 111 million calls totaling 352 million minutes in 2012, an increase in production volume of 28% over the previous year	Solutions include Argela ITV, Argela Interactive Avatar, femtocell and small cell solutions, Argela ADz-on advertisement platform, IN & Applications, Network Performance Monitor and Fixed Mobile Convergence. Top priority markets are CIS and MENA countries. The Company also has customers in South Africa and southeastern Europe	By the end of 2012, there were 3 million unique visitors of www.vitaminegitim.com and more than 50 million page views a month on average. Vitamin Vittrin is the first educational application store in which Vitamin members may subscribe to all kinds of educational resources and applications they need, including more than 60 education packages	As of 2012, within the scope of the cooperation that combines game knowledge and experience of SOBEE and the power of TTNET to reach millions, Sobee offers new games that have been offered to many users on Playstore, the digital game platform of TTNET
www.innova.com.tr	www.assistt.com.tr	www.argela.com	www.sebit.com.tr	www.sobee.com.tr

Türk Telekom in Brief



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

Our Vision

To be the preferred communication operator of the future.

Our Mission

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

Our Corporate Values

- Customer-focused
- Trustworthy
- Innovative
- Responsible
- Dedicated

Our strength

Solidarity and team spirit.

History



March

Isbank Group Companies, owning 18.63% shares of Türk Telekom subsidiary, Avea, chose not to exercise their preemptive rights while Türk Telekom exercised its unexercised rights as well as its own rights, resulting in Türk Telekom's ownership in Avea increasing to 89.99% on March 30, 2012.

July

On July 18, 2012, Türk Telekom was elected to the membership of the Board of Directors of Celtic+, the telecommunications and communication technologies cluster of EUREKA which is an international R&D cooperation program supporting projects for developing products and processes that can be commercialized in a short time period.

September

Tahsin Yılmaz, who led TTNET as CEO since 2008, replaced K. Gökhan Bozkurt as CEO of Türk Telekom as of September 4, 2012.

November

• Türk Telekom won the initial stage infrastructure tenders of the first and second regions of the Fatih Project made on November 22, 2012.

• On November 23, 2012, Türk Telekom signed a Euro 70 million R&D loan agreement with European Investment Bank to be used in information and communication technologies. Attaching importance to innovation and advanced information technologies, Türk Telekom was the first company to take this loan.

December

Turkey's first Investor Relations Summit was held on December 11, 2012, with the pioneering role of Türk Telekom Capital Markets and Investor Relations. More than 100 professionals from investor relations, brokerage houses and fund management companies attended the event which was held in cooperation with Turkish IR Society (TÜYİD).

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

15% of Türk Telekom shares were offered to the public on May 15, 2008 via listing on the Istanbul Stock Exchange.

1995

Türk Telekomünikasyon A.Ş. was established on June 30, 1994. On April 25, 1995, by separating PTT's telecommunication and postal services, all personnel, assets and liabilities related to telecommunication services of PTT were transferred to the Company which is wholly-owned by the Republic of Turkey Prime Ministry Undersecretariat of Treasury ("Treasury").

2004

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

2005

• Türk Telekom subsidiary TTNET was established on April 26, 2006 and commenced operations on May 14 by obtaining its Internet Service Provider License.

2006

• Acquiring 40.56% shares of İŞ-TİM for US\$500 million on September 15, 2006, Türk Telekom increased its share percentage in Avea to 81.12%.

2008

Türk Telekom acquired Invitel International (renamed Pantel after the acquisition), the leading wholesale capacity and data services provider in the CEE region.

2010

2011

May

On May, 2011, Türk Telekom distributed to shareholders TL 2.244 billion - its entire 2010 distributable profit - in gross cash dividends, breaking an all-time record in the history of the Istanbul Stock Exchange.

June

On June 12, 2011, Türk Telekom was elected to the board of directors of Eurogia+ Set within the body of the international R&D support program, EUREKA, which operates under the umbrella of the European Union and is supported by leading European companies.

July

• Türk Telekom raised Turkey's outgoing Internet speed from 650 gigabytes to 1.2 terabytes with the support of its GroupC, Pantel, Europe's leading wholesale capacity and data services provider.

• Türk Telekom became on July 26, 2011 the first telecommunications company in Turkey to report its carbon emission to the Carbon Disclosure Project (CDP)

August

Founded in Germany as a wholly-owned subsidiary of Türk Telekom, Türk Telekomünikasyon Euro GmbH joined forces with Telefonica-O2 on August 1, 2011 to deliver mobile

2012

communication services in Germany under the brand, Türk Telekom.

October

• For the first time in Turkey, Türk Telekom began offering opportunities to shareholders according to their share ownership performance via the Shareholder Benefit Program realized in cooperation with the Central Registry Agency (CRA) on October 14, 2011.

• Türk Telekom was unanimously elected as a member of the Board of Directors of European Telecommunications Network Operators (ETNO) at its 40th General Assembly on October 21, 2011.

Comfort at Home



Türk Telekom, Turkey's leading communication and convergence technologies group, brings the joy of high quality and uninterrupted internet connection to totally 7 million subscribers while offering the comfort of making phone calls at home and at work to 14.3 million subscribers. Reaching 168 thousand kilometers fiber optic cable length, Türk Telekom carries over 1.9 million households to the future through its fiber infrastructure service.

2012 at a Glance



January 9

Türk Telekom and TTNET introduced "KAZANMAKMAK Loyalty Program"

Created with the cooperation of Türk Telekom, the leading communication and convergence technologies company in Turkey, and TTNET, a Turkish communication and entertainment company, offering many gifts and discount privileges to its customers by earning points, the KAZANMAKMAK program welcomed its new members with a huge lottery campaign.

Türk Telekom and TTNET customers who were registered to the program got a chance to win a 2-bedroom apartment from Sinpaş Bosphorus City, a BMW 316i Comfort automobile, a Samsung 40" 3D LED TV, or a Motorola XOOM.

As club members with privileges, KAZANMAKMAK, Türk Telekom and TTNET customers earn KAZAN POINTS when making transactions with Türk Telekom and TTNET products or converted to cash gift certificates valid at contracted firms.

January 26

Türk Telekom takes Turkey to the clouds

Türk Telekom added one more sector-specific solution to its current solutions that provide added value for its customers by combining cloud information services with its robust infrastructure. Investing in cloud infrastructure technologies since 2009, Türk Telekom enables the usage of cloud information services all across Turkey thanks to its wide-access infrastructure.

February 11

Türk Telekom Customer Services issued with ISO 10002:2004 Certificate

Türk Telekom was issued with the ISO 10002:2004 certificate, recognized as the highest international standard in customer complaint management. Applying the ISO 10002:2004 standard throughout its entire organization spread across all provinces in Turkey, Türk Telekom blazed a significant trail in the sector in terms of penetration. Having shaped its customer relations strategy in line with its approach of adding value to the lives of its customers - an approach on which it based its corporate culture - Türk Telekom confirms the importance it places on the issue with the ISO 10002:2004 accreditation.



March 10

Türk Telekom introduced the Young Talent Program

Türk Telekom introduced its young talent program, "WanTTed," which was developed with the vision of supporting young university students in their career choice and investing in their future.

Aimed at recognizing the new stars of business and preparing them for professional life while they continue their education, the WanTTed program includes senior undergraduate students and graduate students studying for master's or doctorate degrees. Enabling the rapid participation of young talent into business life, the WanTTed program is aimed at discovering university students of the Faculty of Economics and Administrative Sciences (Department of Business and Economics) and the Faculty of Engineering (Departments of Electrical and Electronic, Telecommunication, Electronics and Communications, Computer, Industry and Management Engineering).

Committed to adding value to life in every respect, Türk Telekom is also supporting youth in their first step towards starting their business life.

September 25

New CEO Tahsin Yılmaz presented the "3D vision" of Türk Telekom

The new CEO of Türk Telekom, Tahsin Yılmaz, explained the "3D vision" perspective of Türk Telekom, "Digital life transformation," "Excellent value-driven customer services," and "Globalization and regional growth."



2012 at a Glance



January 30

Türk Telekom launched the fiber era in 81 cities

Türk Telekom, thanks to its 170 years of experience, set up a 150,600 km-long fiber infrastructure connecting all the provinces in Turkey. Providing Turkey with much-deserved modern communications infrastructure and fiber technology, Türk Telekom offers FTTH (fiber to the home) and FTTB (fiber to the building) services to all customers and Internet service providers. Türk Telekom simultaneously launched its fiber services in 81 provinces.

May 15

Türk Telekom was recognized as one of two companies which are Turkey's Top Social Security Premium Paying Employers

Retaining its top position among Turkey's highest social security premium-paying employers in both 2009 and 2010, Türk Telekom was again among the top companies in 2011. Continuing its investments without pause and being among the top employers in Turkey with over 24,000 employees, Türk Telekom became one of the two companies in the list of "Top Social Security Premium Paying Employers in 2011" prepared by Social Security Institution. Also the Company ranked first in its sector.

May 19

Türk Telekom was again among the highest Corporate Taxpayers

Türk Telekom retained its top position among the highest corporate taxpayers in 2011. Ranking second in the list of "Highest Corporate Tax Payers" with its tax payment of over TL 600 million, Türk Telekom again ranked first in the communications sector.



May 31

5,500 employees competed in the Olympic Games organized by Türk Telekom for its employees

Creating value with its customer-oriented and innovative services, Türk Telekom organized its Fourth Olympic Games, bringing together 5,500 employees working in different branches in 81 provinces throughout Turkey.

November 22

Signature ceremony organized for FATİH Project

Türk Telekom won the tender install local area networks, active devices and passive members in 2,236 schools within Turkey's West Region, referred to as 1st Region and 2nd Regions or Central Anatolian and surrounding area, within the scope of FATİH Project. Türk Telekom will provide uninterrupted service to the schools within this region for three years.

October 17

Türk Telekom hosted Europe's prestigious technology platform

Türk Telekom hosted the Networked & Electronic Media (NEM) Summit, Europe's prestigious technology platform organized by NEM Initiative with more than 600 company members and. Providing a cooperation platform for universities and industrial organizations, the Fifth NEM Summit was organized in Istanbul with the participation of more than 300 researchers after previously having been organized in France, Spain and Italy.



November 30

Türk Telekom's "BULUTT" left its mark in CeBIT

The top information, technology and communications platform of Eurasia, CeBIT Eurasia, assembled the information world under the same roof once again at the CeBIT Synergy Summit. Within the scope of the summit, main sponsor Türk Telekom organized the Türk Telekom BULUTT Summit focused on cloud computing. In BULUTT and Türk Telekom-themed sessions, Türk Telekom and its business partners brought cloud technology, one of the significant investments of the era, to the table.

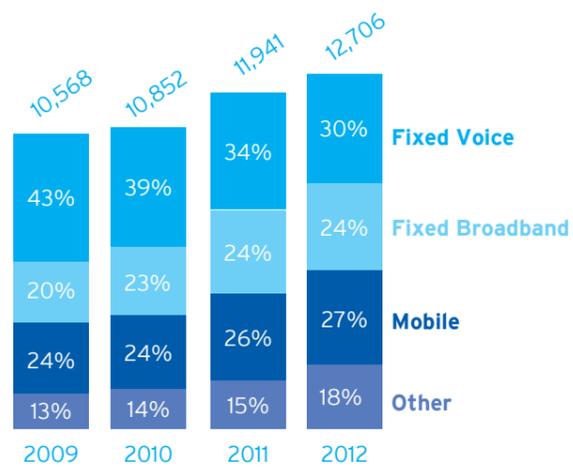
September 4

Passing of the Flag at Türk Telekom

To achieve a more efficient sustainable growth, Türk Telekom, the leading communication and convergence Technologies Company of Turkey, announced changes to senior management. K. Gökhan Bozkurt, who worked in various positions in Türk Telekom since 2006 and who assumed the Türk Telekom CEO position in August 2010, was appointed as Special Advisor to the Chairman of Board as of September 4, 2012. Tahsin Yılmaz, who led TTNET as CEO since 2008, was appointed as CEO of Türk Telekom as of September 4, 2012.

Main Performance Indicators

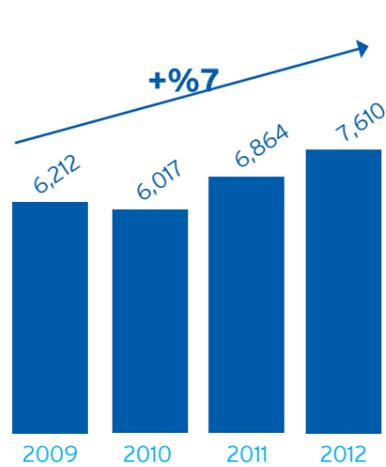
Consolidated Sales Revenue (TL Million)



Türk Telekom Group's consolidated revenues in 2012 reached a record TL 12.7 billion, a 6.4% increase compared to the previous record achieved in 2011. The main drivers of revenue growth were Mobile with TL 395 million, Broadband with TL 144 million, Corporate Data Service with TL 118 million, and IFRIC 121 revenues with TL 432 million.

(1) Based on International Financial Reporting Interpretations Committee, Interpretation 12

Consolidated Sales Expenses (TL Million)



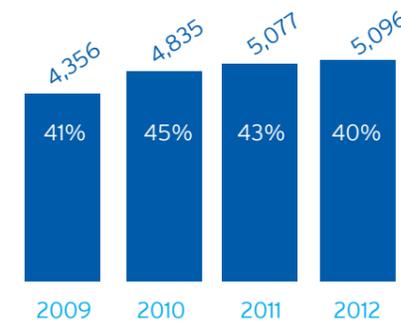
Net sales expenses in 2012 reached TL 7.6 billion, an 11% increase compared to 2011. The main drivers of TL 746 million increase in net sales expenses were the IFRIC 121 expenses (TL 382 million) and domestic interconnection expenses (TL 221 million).

(1) Based on International Financial Reporting Interpretations Committee, Interpretation 12

Consolidated Summary Income Statement (TL Million)

Türk Telekom Group (Million TL)	2008	2009	2010	2011	2012	Change (%) 2011-2012
Sales Revenue	10,195	10,568	10,852	11,941	12,706	6.4%
Net Operating Expenses excluding Depreciation and Amortization	(5,788)	(6,213)	(6,017)	(6,864)	(7,610)	10.9%
Earnings Before Interest Tax						
Depreciation and Amortization (EBITDA)	4,407	4,356	4,835	5,077	5,096	0.4%
Depreciation and Amortization	(1,632)	(1,558)	(1,524)	(1,576)	(1,696)	7.6%
Operating Profit	2,775	2,798	3,311	3,501	3,400	(2.9%)
Net Financial Income / (Expense)	(673)	(438)	(184)	(891)	(33)	(96.3%)
Corporate Tax	(502)	(680)	(799)	(710)	(773)	8.9%
Net Profit for the Period (Before Minority Interest)	1,598	1,680	2,328	1,900	2,593	36.5%
Net Profit for the Period (for the main shareholder)	1,723	1,860	2,451	2,069	2,637	27.5%

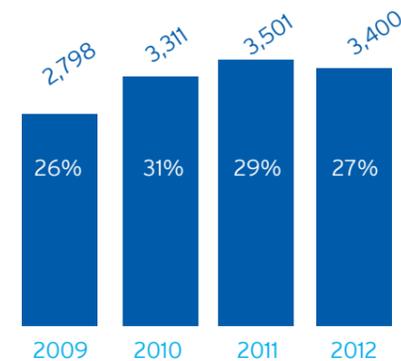
Consolidated EBITDA (TL Million) & Consolidated EBITDA Margin (%)



In 2012, Türk Telekom's Earnings before Interest Tax Depreciation and Amortization (EBITDA) reached TL 5.1 billion with the increase of TL 19 million and 40% consolidated EBITDA margin realized. While EBITDA in fixed line operations decreased by 2% compared to the previous year, EBITDA margin was realized as 48%. While EBITDA in mobile operations increased by 28% to TL 486 million compared to TL 380 million the previous year, and reached from, mobile EBITDA margin was realized as 14% in 2012.

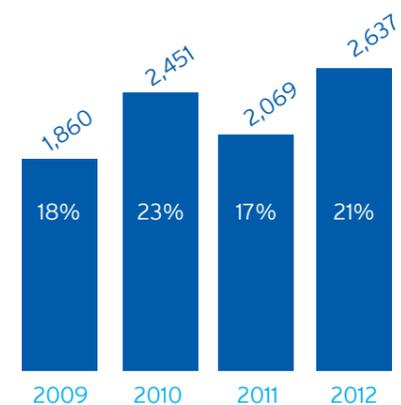
The doubtful receivables provision update in Q4 2012 had a positive impact on mobile EBITDA margin which was realized at 21%. If this one-time occurrence is excluded, then mobile margin was 17%.

Consolidated Operating Profit (TL Million) & Margin (%)



Türk Telekom Group's operating profit was realized as TL 3.4 billion in 2012 based on the limited growth in EBITDA and the increase in amortization and depreciation expenses.

Consolidated Net Profit (TL Million) & Margin (%)



Türk Telekom's previous year net profit was TL 2.07 billion and net profit per share was TL 0.5911. In 2012, Türk Telekom's net profit was realized as TL 2.6 billion and net profit per share realized as TL 0.7535.

Main Performance Indicators

Experiencing a financially successful year in 2012, Türk Telekom realized consolidated net profit of TL 2,637 million while increasing its total assets by 6.4%.

Amortization and Depreciation

In 2012, total amortization and depreciation expenses increased to TL 1.7 billion from TL 1.6 billion.

Taxes

In 2012, tax expenses reached TL 773 million, an increase of 9% compared to previous year thanks to the increase

in profit before tax. The Company's effective corporate tax rate in 2012 was 23%.

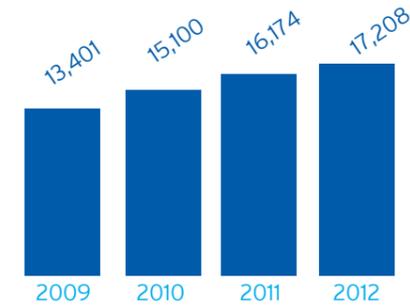
Net Financial Income / (Expense)

While net financial expense was realized as TL 891 million in 2011 due to the Turkish Lira's depreciation against the Euro and US Dollar, in 2012 only TL 33 million net financial expense was recorded.

Consolidated Summary Balance Sheet

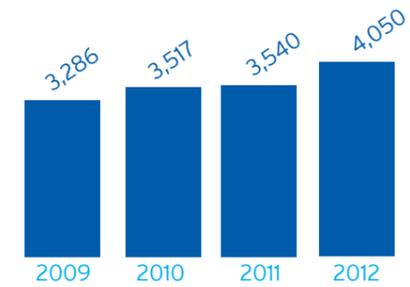
(TL Million)	2008	2009	2010	2011	2012
Intangible Assets	2,374	3,286	3,517	3,540	4,050
Tangible Assets	6,588	6,920	7,435	8,156	8,347
Other Assets	2,295	2,441	2,929	3,499	3,850
Liquid Assets (Cash and Equivalents)	1,042	754	1,219	979	961
Total Assets	12,659	13,401	15,100	16,174	17,208
Capital	3,260	3,260	3,260	3,260	3,260
Reserves and Retained Earnings	1,853	2,162	2,915	2,509	3,195
Financial Liabilities	3,455	3,974	4,199	5,346	6,038
Provision for Severance Payments	667	634	607	563	749
Other Liabilities	3,424	3,371	4,119	4,496	3,965
Total Equity and Liabilities	12,659	13,401	15,100	16,174	17,208

Total Assets (TL Million)

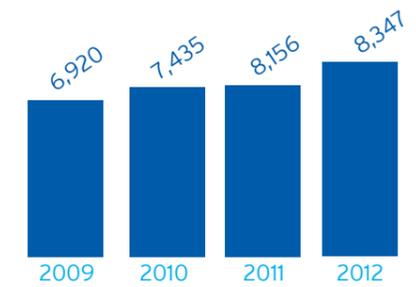


Total assets reached TL 17.208 billion in 2012, an increase of 6.4%. The growth of total assets was caused by the increases in capital expenditure within the scope of IFRIC 12 and other assets (increase in trade receivables). In addition, the reason behind the increase in assets is mainly the increase in interest bearing liabilities.

Intangible Assets (TL Million)



Tangible Assets (TL Million)



The increases in tangible and intangible assets occurred due to capital expenditures higher than the amounts of amortization and depreciation.

Operational Highlights

Türk Telekom Operational Developments	2008	2009	2010	2011	2012	Change
Total Access Lines* (million)	17.5	16.6	16.0	15.2	14.3	(6.2%)
PSTN ARPU (TL)	24.4	22.3	21.7	22.1	22.4	1.5%
PSTN MoU (minutes)	129.7	114.5	114.6	107.3	103.4	(3.6%)

By launching in 2012 Mini, Midi and Maxi Advantage packages, which provide discounts and free call minutes in all directions to its individual subscribers, the percentage of Türk Telekom's subscribers who benefit from minute-based retail package offers, reached 55% by the end of 2012. Also in 2012, the Company provided free home insurance to all of its individual subscribers in cooperation with Allianz, and the Company's discount campaigns offered through brand cooperation in different fields continued. By the year-end, while the average revenue per user (ARPU) reached TL 22.4, the average minutes of use per subscriber (MOU) was realized as 103.4 minutes.

Türk Telekom Operational Developments	2008	2009	2010	2011	2012	Change
Fixed Broadband Connection (million)	5.8	6.2	6.6	6.8	7.0	2.9%
Fixed Broadband ARPU (TL)	26.7	29.5	32	36.2	36.8	1.7%

In 2012, Türk Telekom continued to provide high speed Internet service to its customers with a modern communications infrastructure and outstanding service via fiber transformation activities launched in 81 provinces in Turkey. As the leader of fiber network in Turkey with 168,000 km of fiber, Türk Telekom provided fiber infrastructure to more than 1.9 million households accessed by FTTH/FTTB (fiber-to-the-home/building), in addition to more than 4 million households accessed by FTTC (fiber-to-the-cabinet). The Company's number of fiber subscribers has reached to 220,000 and the number of total broadband connections was realized as 7 million by the end of 2012. In tandem with increasing data usage and higher speed demands in the market, the Company's percentage of unlimited subscribers increased to 70% of all subscribers in 2012 while average monthly data usage per person was 29 GB in December. The rate of DSL users at 8Mbps and over was realized as 90% of all subscribers. The Company's annual broadband ARPU value in 2012 was recorded as TL 36.8 with the support of sales promotion campaigns in higher packages, value-added services such as music, games and TV, and inflation-based price arrangements.

Türk Telekom Group's retail Internet service provider, TTNET, maintained its leading position in the market in 2012 thanks to its innovative campaigns and products. With 81.34% market share in Q4 2012, TTNET's prominent activities in 2012 were Common Quota campaign, combining fixed-line Internet and mobile Internet subscriber quotas, and IPTV services provided under the Tivibu brand.

Türk Telekom Operational Developments	2008	2009	2010	2011	2012	Change
Mobile Total Subscribers (million)	12.2	11.8	11.6	12.8	13.5	5.7%
Mobil Total Prepaid Line Subscribers (million)	8.1	7.6	7	7.2	7.5	4.2%
Mobil Total Postpaid Line Subscribers (million)	4.1	4.3	4.7	5.6	6.0	7.1%
Mobile ARPU-Mixed (TL)	15.7	16.7	18.6	20.4	21.6	5.8%
Mobile MoU(minutes)	172.9	242.5	262.6	305.1	341.5	11.9%
Number of Base Stations	10.203	13.625	16.040	21.523	24.106	
- Population Coverage (%) 2G	95.2	96.5	96.7	97.6	97.9	
- Population Coverage (%) 3G			63	78.9	79.4	

Türk Telekom Group's mobile operator, Avea, reached 13.5 million subscribers in 2012 with 730,000 new subscribers. While maintaining its position as the most preferred GSM operator in Turkey in 2012 with 550,000 subscribers, the Company increased its market share of number of subscribers to 20%. Postpaid subscribers represent 44% of the Company's subscribers. The Company reached the highest ARPU value within the sector in 2012 by increasing its average revenue per user (ARPU) by 9.5%. Offering its customers the highest number of calling minutes with an average monthly MoU of 346 minutes, Avea maintained its leading position in this field in 2012.

Avea displayed a successful performance in 2012 with a 13% revenue increase and 28% EBITDA growth. Displaying a strong performance both in voice and data segments, the Company's revenue reached a record high of TL 3.5 billion while mobile data revenue increased by 79%, the highest growth rate in the market. In 2012, investment of over TL 750 million was made in mobile network and channels for supporting the quality and productivity while the number of base stations exceeded 24,000 by the end of the year.

The youngest operator in Turkey, Avea continued its innovative offers in 2012. Enabling its customers to create their own call, SMS, data and device packages based on their needs with unique SEÇ ("CHOOSE") offers, the Company made significant contributions to group synergy by drawing attention to the market with its Cepte Bayram ("Mobile Feast") tariffs specially designed for PSTN subscribers. Avea released its first smartphone, Avea in Touch, with the Avea brand in 2012, has and it also maintained its leading position in this field with a 24% smart phone penetration rate. The rising star of Turkey's mobile market, Avea was elected to the board of directors of GSMA, the association of the world's leading GSM operators, in 2012.

Financial Ratios

Main Financial Ratios	2008	2009	2010	2011	2012
Return on Equity (%)	31	34	40	36	41
Return on Assets (%)	13	13	16	13	15
Total Debt/Equity Ratio (%)	148	147	145	180	167
Net Financial Debt/EBITDA (%)	55	74	62	86	100
Financial Debt/Equity (%)	68	73	68	93	94
Financial Debt/Total Debt (%)	46	50	47	51	56
Financial Debt/Total Assets (%)	27	30	28	33	37
Total Debt/Total Assets (%)	60	60	59	64	66

Having increased due to the depreciation of the Turkish Lira against the US Dollar and the Euro in the previous year, Türk Telekom's financial expenses decreased in 2012. While this situation made a positive impact on Türk Telekom's net profit, it also increased the profitability ratios. Even the increasing capital expenditures caused an increase in the indebtedness rate; the Company was much more successful in 2012 for converting short-term debts into to long-term debts when compared to 2011. The indebtedness rate is still below the sector average.

Capital Expenditure

Capital Expenditure (TL million)	2008	2009	2010	2011	2012	Change
Total Capital Expenditure	1.756	2.482	1.733	2.277	2.435	7%
Capital Expenditure (Excl. 3G License Fee)	1.756	2.032	1.733	2.277	2.435	7%

Türk Telekom improved the quality and productivity of its mobile network and channels while accelerating the fiber transformation in its infrastructure with investment in 2012 of TL 2.4 billion.

Operational Highlights

Raising its ARPU to TL 22.4 by the year-end of 2012, Türk Telekom provided fiber infrastructure to more than 1.9 million households.

Dividend Distribution

Dividend Distribution (TL billion)

2008	1.5
2009	1.6
2010	2.3
2011	1.9

Ranked top of the Istanbul Stock Exchange Dividend Index, Türk Telekom has paid out more than TL 7 billion in dividends since 2008.

Taxes Paid by Year

Taxes Paid by Year (TL billion)

2009	4.3
2010	4.4
2011	4.7
2012	4.6

In 2012, Türk Telekom Group contributed more than TL 4.6 billion to public finances, including taxes paid to the state and to the treasury share.

Share Information

Corporate Name	Türk Telekomünikasyon A.Ş.
Core Business	Telecommunications and Technology Services
Stock Exchange	Istanbul Stock Exchange (ISE)
ISE Ticker	TTKOM
Bloomberg Ticker	TTKOM TI
Reuters Ticker	TTKOM IS
Date of Initial Public Offering (IPO)	15 May 2008
Free Float	15%
Outstanding Shares	525,000,000
Average Daily Trade Volume (01/01/2012-12/31/2012)	TL 21,525,225
Market Capitalization (12/31/2012)	TL 24.22 billion
Proposed Gross Dividend Per Share 2012	TL 0.6895
Proposed Net Dividend Per Share 2012	TL 0.5860
Closing Price (12/31/2012)	TL 6.92
Highest Share Price (01/01/2012-12/31/2012)	TL 8.3
Lowest Share Price (01/01/2012-12/31/2012)	TL 6.3
International Securities Identification Number (ISIN)	TRETLK00013

Market Capitalization (As of December 31 of each year)

Market Capitalization (TL billion)

2008	12.2
2009	15.9
2010	22.8
2011	24.5
2012	24.2

2012 Realizations and 2013 Expectations

At the beginning of 2012, expectations related to consolidated revenue, EBITDA and capital expenditures were disclosed. In the disclosure, the forecasts were that the increase in consolidated revenue would be realized at 6%-8% levels, consolidated EBITDA margin at less than 40%, and capital expenditure of approximately TL 2.4 billion.

By the end of 2012, the realizations were as follows: Increase in consolidated revenue at 6.4%, EBITDA margin at 40% and capital expenditure at TL 2.4 billion. The expectations were met.

At the beginning of each year, Türk Telekom shares the Group's expectations related to consolidated financial results with the public via the Public Disclosure Platform. While creating these expectations, the macro economic situation of the country and officially disclosed growth and inflation expectations are taken into account. Following the evaluation of market conditions and competition conditions of previous and future periods in every field in which Group companies operate, a

single group target is determined by consolidating the expectations received from each company.

As a result of detailed market analyses, Türk Telekom Group's expectations related to Consolidated Revenue, Consolidated EBITDA and Consolidated Capital Expenditure for a period including a calendar year are disclosed. In case there is a change in the expectations within the year, revised expectations are announced as soon as possible to shareholders and all investors again via the Public Disclosure Platform.

The expectations related to 2013 consolidated financial results are as follows:

- An increase in consolidated revenue of 5%-7% compared to 2012
- Consolidated EBITDA at TL 5.1 billion - TL 5.3 billion
- Consolidated capital expenditure at approximately TL 2.2 billion.

Awards

Most Valuable Brand

According to 2012 results of Turkey's Most Valuable Brands survey organized by international brand rating agency, Brand Finance, Türk Telekom was for the fourth time recognized as Turkey's most valuable brand, worth \$2.39 billion.

Corporate Social Responsibility Awards

Three awards for the Books on the Phone Project

The Telephone Library Project developed with the cooperation of Türk Telekom and Boğaziçi University Technology and Education Laboratory for the Visually Impaired (GETEM), received many awards both in the international arena and in Turkey in 2012.

- The Books on the Phone, while ranking among the most successful 100 national champions from among 18 Europe countries at the 2012 European Business Awards (EBA) evaluating innovativeness, business perfection and business continuity criteria, became the national champion in the category of "Environment and Corporate Sustainability."
- The Books on the Phone won the "Human Rights Award" from the Corporate Social Responsibility Marketplace organized by Turkey Corporate Social Responsibility Association with a "Socially Responsible Enterprises in 100th Anniversary of the Establishment of the Republic" theme. Many international and national corporations participated.
- The Books on the Phone won grand prize in the category of "Best Content" at the 2012 World Communication Awards which recognize the world's best participants in the field of communication and telecommunication.

Golden Globe for Nature-Friendly Communication Project

Türk Telekom won a Golden Globe in the e-Environment Category at the Golden Globe Awards organized by

IPRA (International Public Relations Association) with the Nature-Friendly Communication Project to raise awareness about sustainability.

Grand Prize from USA to "Value to Turkey, Worth to Turkey" Project

Türk Telekom was granted grand prize in the category of Corporate Social Responsibility at PRNews, one of the world's most important and most recognized awards with its "Value to Turkey, Worth to Turkey" project which aims to recognize corporate citizenship by providing access to information and technology.

Investor Relations Awards

Best Interactive Annual Report (IR Global Rankings)

Türk Telekom received "Best Interactive Annual Report" award with its 2011 Annual Report at IR Global Rankings, Best Ranked Companies, which is one of the world's leading investor relations award programs and in which over 280 companies from 45 countries participated. Türk Telekom also ranked as the best of Europe in the category of Disclosure of Financial and Operational Data. The ranking was the result of a technical evaluation by a team of leading experts and based on IR Global Rankings criteria, one of the most comprehensive and prestigious ranking systems in its field, and in consequence of.

Best Investor Relations CEO Award, Thomson Reuters Extel Survey

Türk Telekom ranked first in the "2012 Investor Relations Survey" organized by Thomson Reuters Extel, one of the world's most extensive professional research and survey

companies in the field of investor relations. The survey is conducted throughout Europe and represents the views of more than 14,000 intermediary firms and corporate participants.

While Türk Telekom Group CEO Hakam Kanafani ranked first in the category of "Best Investor Relations CEO of Turkey," Türk Telekom ranked second in the category of "Best Investor Relations of Turkey." Türk Telekom Capital Markets & Investor Relations Director Onur Öz ranked second in the "Best IR Professional in Turkey" category. In the same category, Emre Çiçek, Eren Öner and Furkan Onat from the Türk Telekom Investor Relations Team ranked within the first six of all investor relations professionals in Turkey.

IR Global Rankings featured Turk Telekom Investor Relations as cover story

IR Global Rankings (IRGR) magazine featured Türk Telekom Investor Relations in the cover story in their annual magazine. The article titled "Making a difference in a very pragmatic world - Türk Telekom's IR Team shows how to do it" explained the activities of the IR Team that make a real difference.

Internal Communications Awards

14 Awards to Türk Telekom at the International Business Awards

Türk Telekom received a total of 14 awards, 13 for in-house projects and one for a corporate social responsibility project, at the 2012 International Business Awards. Also known as the Stevie Awards, the event drew

3,200 candidates from over 50 countries. Türk Telekom ranked among the "Best 10 Organizations" thanks to its success achieved by winning two gold, three silver, and nine bronze awards. Awards are given based on the votes of business professionals after evaluation by a jury of 300 persons from various countries.

The Company's gold award winning projects were the Internal Communication Directorship's "Our Friendship is Forever - Türk Telekom Retirees' Meeting" in the category of "Best Association Activity" and the Management Summit Activity Film in the category of "Best Meeting Module." Silver award winners were the "Telephone Library Project" in the category of "Communication/PR Campaign of the Year, Türk Telekom Internal Communication Team in the category of "Communication Team of the Year", and Türk Telekom Management Summit in the category of "Best Awareness/Motivation Activity". Türk Telekom received nine bronze awards with in-house communication projects of the Company.

Brandon Hall Excellence in Learning Award to Türk Telekom Academy

The Türk Telekom Academy E-ENGLISH Program, developed by the Türk Telekom Academy to meet the needs of its employees in the field of corporate language development, was granted a gold award in the category of "Best Content" at the Brandon Hall 2012 Excellence in Learning Awards, one of the most prestigious awards in the education and development sector.

Fun everywhere



Continuing to add value to conventional telecom services in communication and services market, Türk Telekom Group also delivers fun to everywhere through its infrastructure services. Delivering IPTV technology to households and offices through the entertainment company TTNET, Türk Telekom Group provides service to nearly 1 million Tivibu Web subscribers while performing nearly 1,000 Tivibu Home installations daily.

Message from the Chairman

Contributing to the development of Turkey through its investments, Türk Telekom Group continues to create value for its shareholders with the strong financial and operational performances.



Being the leader in communication and information technologies, Türk Telekom will focus on improving service diversity and quality by continuing its investments both in fixed and mobile segments.

2012 was a year of significant achievements for Türk Telekom Group, the ICT market and the Turkish economy in general.

With its strong economic fundamentals, Turkey's credit rating was raised to investment grade; and Türk Telekom Group's consolidated investments exceeded 13 billion TL for the last 7 years. As a result of our efforts to create value for our customers, we are today the investment and employment champion of the industry. Our investments and capital commitments cover Turkey's eighty one cities on a wide range of modern technology incorporating, a nationwide fiber network, mobile broadband and Information Technology.

The rapid developments in information and communication technologies inspire us to continue offering innovation and convenience. Innovation supports efficiency and productivity and convenience improves the quality of life for our customers both corporate and individual. Given that almost half of the world population is active on the Internet, and given that global mobile user penetration is almost at 95 percent of the global population, we believe that the communication technologies in Turkey will experience higher demand. Accordingly we continue our investments both on fixed and mobile technologies and we will focus on product diversity and service quality. Last year especially, with

our fiber investments, we covered millions of customers with higher speed internet and IPTV technologies and converged telecommunication services.

With more than 37,000 employees nationwide, our Group continues to be one of the largest employers and highest tax payers in Turkey. Last year particularly due to the growth in our call center operations we offered job opportunities to the young people all over the country. As the employment leader of the telecommunications industry, around 10 thousand fresh graduates joined Türk Telekom Group family during the last 5 years. We continue to invest in the future of the country by supporting the young graduates in engineering and technology. We provide this dynamic population in Turkey with superior training and valuable lifetime career opportunities.

The key to our strategy is to unleash the huge potential of Turkey for innovation and entrepreneurship. Our vision is that of innovation-based convergence and communication services that galvanize the young talent in Turkey. Therefore, we will continue investing in R&D, innovative technologies and human capital.

In parallel to achieving impressive operational results in 2012, we developed exemplary projects in social responsibility. We diligently work to help next generations

have better lives with our education, environment and sports projects that enrich the social life.

Our Group is very proud to fully comply with the Corporate Governance Principles issued by the Capital Markets Board and appointed the independent board members and established the required committees under the Board of Directors in 2012. Thanks to the improvements made with the purpose of complying with corporate governance principles, Türk Telekom Group continued to raise its corporate governance rating grade and achieved 8.8 over 10 in 2012. With this achievement, we sustained our position as the first and only telecommunications company in Istanbul Stock Exchange's Corporate Governance Index.

I would like to thank the Board of Directors and our employees for their contributions to a successful 2012. We will continue creating more value for all our shareholders, and will continue enhancing our existing achievements. We are committed to continue serving our customers with the highest integrity and quality and with leading edge products and services.

Mohammed HARIRI
Chairman

Assesment of the Management

Assesment of the Management

The Risks and Risk Assessment by the Board of Directors

Türk Telekom Group's risk management policies are designed to identify and analyze the risks faced by the Group, determine appropriate risk limits and controls, and observe commitment to these limits. Risk management policies and systems are constantly under review to reflect changes in the Group's operations and market conditions.

The risks of market, liquidity, foreign currency and interest rate are constantly evaluated and required measures are taken accordingly.

Türk Telekom Group's financial risk policies are managed centrally with the support of a committee. Liquidity risk is managed by maintaining a balance between current assets and liabilities through close monitoring of payment plans and cash projections. Türk Telekom Group may choose long- or short-term financing according to its financing needs and market assumptions. Türk Telekom Group's credit lines with Turkish banks are satisfactory to meet the Group's current financing needs. Our Group enters into loans with international financial institutions if required.

Türk Telekom Group has transactional currency exposures mainly with respect to long term financial liabilities. Our Group constantly monitors market

conditions and regularly revisits its hedging policy in terms of its foreign currency risks.

Türk Telekom Group's interest rate risk is primarily attributable to its borrowings. Our interest rate risk policy is based on the management of the interests by entering into floating and fixed rate loans. In order to cover the interest rate risks, the Group has entered into interest rate swaps.

Assessment by the Board of Directors about the Internal Control System and Internal Audit Practices

Our Company has an internal audit unit that conducts its activities in accordance with international standards as certified by an independent organization. The unit performs assurance and consultancy activities in order to evaluate and develop the risk management, control and governance processes of the Company and Türk Telekom Group affiliates. Internal Audit Department reports the results of its activities to the Audit Committee which operates within the framework of "The Working Principles of Internal Audit Department" approved by the Board.

Internal Audit Department is responsible for regular risk evaluations for the Company to identify risk areas, and financial, operational and compliance audits related to high-risk areas. Internal Audit also evaluates the effectiveness of work process controls, makes

recommendations for identified weaknesses in control mechanism and receives action plans from management, as well as ensuring that these plans are duly implemented. In our Company, majority of the auditors have CIA, SMMM, CISA and CFE certificates.

Internal Audit Department aims to analyze the data provided concurrently from the related audit systems by using information technologies and data analysis tools thanks to extended continual applications of the audit system. Thus, all internal controls in main processes can be reviewed for effectiveness. The system will reduce the audit cost by enabling more effective calculations of risk exposures through tests in all audit areas instead of using sampling method, and help make more effective and timely reporting and define potential abuses.

Assessment by the Board of Directors Regarding Financial Position and Operational Results of the Company

Türk Telekom Group delivered a strong financial and operational performance in 2012 in line with our investor guidance. Investments in our fixed broadband and mobile network continued within our convergence strategy. Consolidated revenue growth is sustained thanks to ARPU improvement and increasing customer base. We maintained favorable consolidated profitability results. Strong growth and recovery in profitability especially in mobile business is also maintained. Double digit revenue

growth is delivered as a result of the investments on mobile data. We made significant investments in fiber infrastructure within the context of transformation plans on fiber network; we started to offer fiber to the home/building (FTTH/B) services. We offered attractive innovative tariffs and campaigns on both broadband and mobile and achieved net additions. We maintained our leadership in TV business by enriching our TV service over internet with new products and services, which is one of our significant business strategies. In parallel with our information and communication technologies (ICT) strategy; we continued to invest in ICT and develop new products and services. New cloud services were launched for different customer segments. As robust operational performance continues, our strong capital structure is maintained by various loan utilizations to finance our business growth. According to the 2012 year end consolidated financial statements and financial results in independent audit report; our share capital is not depleted and there are no insolvency issues. We continue our investments in 2013 sustaining our growth and leading position in telecommunications sector.

Board of Directors



Mohammed Hariri Chairman of Board of Directors

(1958) Mohammed Hariri is the Chairman of the Board of Directors of Oger Telecom Limited. He also serves as the Chairman of Türk Telekomünikasyon A. Ş., TTNET and Avea İletişim Hizmetleri A.Ş. in Turkey. Hariri is also the Vice Chairman-Finance & Investment- of Saudi Oger Limited and has been a member of the Company's management for over 30 years. He is the Chairman of Group Med S.A.L. (Holding), Bank Med S.A.L. and its subsidiaries in Beirut and Geneva, Saudi Med Investment Company and Al Mal Investment Holding. He is a board member of Arab Bank plc-Jordan and serves on the Boards of Directors of various companies of the Saudi Oger Group, including 3C Telecommunications (PTY) Ltd in South Africa, Oger Telekomünikasyon A.Ş. in Turkey, Oger International S.A. and Entreprise de Travaux Internationaux (ETI) in France. Hariri is a member of the Board of Directors of Associations des Banques du Liban. He is a member of the advisory Board of Deutsche Bank PWM Middle East and Africa. Elected as a member of the Board of Directors of Türk Telekom in November 2005, Hariri served as the Chairman of the Audit Committee between June 2008 and April 2009, and has been serving as the Chairman of the Board since April 2008, as the Chairman of the Executive Committee since April 2009 and as a member of Corporate Governance Committee since October 17, 2012.



İbrahim Şahin Independent Board Member/Vice Chairman of Board of Directors (Independent Board Member)

(1962) Mr. İbrahim Şahin was born in 1962. After graduating from Ankara University Faculty of Law, İbrahim Şahin served in various positions at the Internal Affairs Ministry and worked as an advisor and undersecretary at the Ministry of Transportation and as PTT General Manager. Şahin was a member of the Statutory Audit Board of Türk Telekom between December 31, 2002 and June 1, 2007. He has been Vice Chairman of the Board of Directors of since June 1, 2007 and Vice Chairman of Executive Committee since April 9, 2009. Şahin has been the General Manager of TRT since November 21, 2007. He has been serving as an Audit Committee member since October 17, 2012 that held this position between June 16, 2008 and April 9, 2009.



Abdullah Tivnikli Member of Board of Directors

(1959) After earning his B.S. in Mechanical Engineering from Istanbul Technical University, Abdullah Tivnikli completed an MBA at the same university. Following an invitation by the public authority involved in participation banking to develop the legal infrastructure for Turkey's participation banking model in Turkey, he actively took part in the establishment of Albaraka Türk Participation Bank. He has been a member and subsequently the vice chairman of the Board of Directors of Kuveyt Türk Participation Bank since 1989. He is presently executive director of Eksim Group. Tivnikli has been serving as a Board Member of Türk Telekom and member of the Executive Committee. Tivnikli is also a Board Member at Türk Telekom Group companies, TTNET and Avea, and he is the Vice Chairman of the board of directors of Argela, AssisTT, Innova and Sebit.



Hakam Kanafani Member of Board of Directors

(1965) Kanafani is Türk Telekom Group's CEO and member of Türk Telekom's Board of Directors and Executive Committee. He serves on the boards of Türk Telekom Group's broadband communications unit "TTNET" and mobile communications unit "AVEA"; and also as Chairman of the Board of Directors for Türk Telekom Group subsidiaries: Pantel International Group, Argela, AssisTT, Innova and Sebit. Before that he was the Chief Business Development and Synergy Officer for Oger Telecom. Previously he was the CEO of JAWWAL, Palestine's first private cellular network. Kanafani started his career at NASA, Goddard Space flight center. Kanafani is a University Trustee Scholar and holds Beta Gamma Sigma honors from the USA. He graduated from the University of Maryland, College Park. He was a founding member of Young Global Leaders and Young Arab Leader. He represents Türk Telekom Group on the Board of the Directors of GSMA, ETNO and SAMENA. Kanafani is in GTB's Power100 list for Telco executives worldwide and named Best CEO for Investor Relations in Turkey in 2012.



Maziad Al-Harbi Member of Board of Directors

(1970) Al-Harbi is presently the VP of the Home Business Unit where he worked for more than five years. Before joining STC in 2007 on Huawei Technologies and Lucent Technologies, Mr. Al-Harbi worked for seventeen years across the telecommunications, media, and technology industries. Since 2007 he has held leading roles with diverse responsibilities at Saudi Telecom Company (STC). He is also a board member of Call Center Company and SaleCo in Saudi Arabia. He received his bachelor's degree in electrical engineering from King Saud University.



Rami Aslan Member of Board of Directors

(1972) Mr. Aslan serves currently as Chief Executive Officer and executive member of the Board of Directors of Oger Telecom Ltd. He is also Senior Advisor to the Chairman, Mr. Mohammed Hariri, on the telecom activities of Saudi Oger Group. Previously, Mr. Aslan assisted Saudi Oger Group in establishing the Oger telecom business since 2005. He was a key member of the team that established the equity/debt capital structure of the company through bringing equity and debt participants together in the Telecom investments of the group. Mr. Aslan also has since managed the relationships with the Company's various investors and lending groups. In addition to being a member of the Board of Turk Telekom and Oger Telecom Ltd., Mr. Aslan also sits on other boards including Innova, Sebit Eğitim, Cell C (Pty) Limited and 3C Telecommunications Pty Limited in South Africa. Mr. Aslan holds a Bachelor's degree in Management Information Systems and Finance and an MBA degree from McGill University, Canada. Prior to joining the Oger Group in 2005, Mr. Aslan worked for over 12 years in North America, Europe and the Middle East with MetLife where he started his career, later with TD Bank Financial Group, and most recently with Citigroup.



Mazen Abou Chakra Member of Board of Directors

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



Mehmet Habib Soluk Member of Board of Directors

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



Süleyman Karaman Independent Board Member

(1956) Süleyman Karaman was born in 1956. He graduated from the Mechanical Engineering Faculty of Istanbul Technical University. In 1981 took his master's degree from the same university and was granted the title of High Mechanical Engineer. Between 1979 and 1981 he performed prototype studies, improvement activities, and compliance tests on farming machinery and worked on the first Turkish tractor produced by the private sector. In 1981, he began working as assistant professor in the Mechanical Engineering Faculty of Istanbul Technical University. In addition to his postgraduate studies, he also gave technical drawing and enginery lectures as Assistant Lecturer in the same faculty up until 1984. Between 1984 and 1994, he worked as Vice Enterprise Manager, Enterprise Manager, Vice General Manager, and Board Member in the automotive sub-industry. He was appointed as the vice general director of the General Directorate of Istanbul Metropolitan Municipality Electric, Tramway and Tunnel Operations (IETT) in 1994. He has attended seminars such as Total Quality Management, Permanent Improvement, and Synergistic Management. Additionally, he participated in the organization of the first and second International Transportation Symposiums and read the paper he prepared. He was appointed as advisor to the General Director of IETT in 2001 and later as General Director and Board Chairman to Turkish State Railways in 2003. Karaman serves as Vice Chairman of the Board of TTNET and Board Member of Net Ekran Televizyonculuk ve Medya Hizmetleri. Karaman who has been serving as a board member since June 30, 2012, was appointed to the Audit Committee membership on October 17, 2012.



Efkân Ala Independent Board Member

(1965) Mr. Efkân Ala was born in 1965. He holds a bachelor's degree from Istanbul University and a M.A. degree from Karadeniz Technical University. His previous experience includes various governorship positions. He was officially charged with governing a number of Turkish cities including Ordu, Tunceli, Batman, and Diyarbakır. He worked as Manager of Education Office of Internal Affairs Ministry, Manager of Education, Office of Tourism Ministry and Tourism Ministry Consultant. He has been working as undersecretary of Prime Minister since 2007. Efkân Ala was a statutory auditor at Türk Telekom from March 12, 2008 to June 30, 2012. He has held a seat as an independent member of the Board of Türk Telekom since June 30, 2012. He has been serving as Chairman of the Audit Committee since October 17, 2012.



Adnan Çelik Independent Board Member

(1954) Mr. Çelik was born in Sakarya in 1954. He studied Mathematics in Ankara Gazi Education institute between 1974 and 1975 and graduated from Istanbul Technical University in 1982. He started his career in 1980 working as an engineer and manager in the fields of trading oil, computer and biomedical products. He was educated in Business English at Marmara University's Contemporary Business Administration Institute between 1989 and 1990. He studied English for two months in EF College in London. He was deputy general manager at Istanbul Deniz Otobüsleri A.Ş. between 1994 and 2003. He served as a board member in Türkiye Denizcilik İşletmeleri in 2003. He was deputy general manager and board member of Istanbul Ulaşım A.Ş. between 2003 and 2004. He served as a board member and general manager of Istanbul Enerji Sanayi ve Ticaret. A.Ş. from July 2004 to May 2011. Çelik who has been serving as a board member since June 30, 2012, was appointed to the Corporate Governance Committee Chairmanship on October 17, 2012.

The Board of Directors and Committees

The number of Board Members and duty terms were determined, and the Board of Directors and Independent Board Members were elected at the June 30, 2012 Ordinary General Assembly.

Jameel Abdullah A. Al Molhem resigned from his position on the Corporate Governance Committee and Board on March 24, 2013. He had been appointed as Board Member and Corporate Governance Committee member by replacing Ghassan Hasbani on December 7, 2012.

On December 7, 2012, it was decided that the board membership position which became vacant due to the resignation of board member and Audit Committee observer member, Ameen Fahad A Alshiddi, would be filled by appointing Maziad Nasser MAI-Harbi as board member. As a result of a vacancy arising from the resignation of board member Saad Zafer M Al Kahtani on September 15, 2012, Al Shiddi was appointed to the board on October 15, 2012 and on the same day, he was appointed as Corporate Governance Committee member. The aforesaid appointments shall be submitted to the approval of the shareholders at first General Assembly.

As of December 10, 2012, member of the Statutory Audit Board, Aydın Gülan, resigned from his position.

As of June 30, 2012, member of the Statutory Audit Board, Efkana Ala, resigned from his position.

The Corporate Governance Committee was established on October 17, 2012 to monitor the Company's compliance with corporate governance principles and to perform improvement activities and make suggestions to the board of directors. The member of the Committee is the Chairman of the Board; Mohammed Hariri. Adnan Çelik retains his chair on the committee as Chairman.

Members of the Audit Committee were determined on October 17, 2012. The Chairman of the Committee is the Independent Board Member, Efkana Ala, and the members are independent board members İbrahim Şahin and Süleyman Karaman. Board Members Rami Aslan and Mazen Abou Chakra serve as Observer Members.

Statutory Audit Board

Lütfi Aydın

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

Efkana Ala and Aydın Gülan resigned from their positions on the Statutory Audit Board on June 30, 2012 and December 10, 2012, respectively.

Message from the Group CEO

Türk Telekom Group raised its consolidated revenues to TL 12.7 billion with an annual increase of 6.4 percent in 2012, in which a strong operational and financial performance has been displayed.



Raising both fixed and mobile revenues in 2012, Türk Telekom Group reached 1 million new customers in mobile and internet segment by extending its product and service network.

2012 was another successful year. We continued to create value for all our stakeholders particularly our customers, and we showed strong operational and financial performance. We increased both our fixed and mobile revenues and investments with 1 million net subscriber additions on mobile and broadband by expanding our product and service network. The share of mobile and broadband segments which are the main drivers for our Group's growth in the total revenues exceeded 50 percent. We continued to be the leading operator in Turkey and in the region with our 14.3 million fixed, 7 million broadband and 13.5 million mobile customers. As a result, our consolidated revenue in 2012 increased by 6.4 percent to 12.7 billion TL and net profit increased to 2.6 billion TL.

The Turkish economy sustained the growth trend in 2012. Effective monetary policy, low inflation, sustained financial discipline, decreased debt load, significant decrease in access deficit, healthy financial sector and political stability supported the economic growth. In 2012 alone we invested 2.43 billion TL in developing innovative and effective products and services. Our investments covered superfast broadband, fiber and mobile solutions. We started FTTH/FTTB services and we reached more than 2 million home passes, by far the biggest fiber network that includes 4 million home passes with FTTC. Together with our subsidiary "Pantel" our total fiber length exceeded 200 thousand

kilometers. In addition, we bundled mobile and fixed communication services under BİZ brand tailored for our corporate customers. With our continued network investments both on fixed and mobile, we will continue offering higher speed and capacity broadband connection to our customers.

Our mobile arm Avea showed strong performance in 2012 with more than 3.4 billion TL revenue, and 28 percent EBIDTA increase y-o-y. We grew our mobile customer base by 6 percent with 730 thousand net-adds. Avea was the most preferred operator on mobile number portability with net 550 thousand subscribers and increased its market share to 20 percent on subscriber basis. With SEC tariff Avea recorded a first by allowing customers to design their own calling services, messaging, internet solutions and device packages according to their needs. We continued to drive internal synergies with Avea offering Cepte Bayram tariff, the most attractive calling alternative given to fixed line subscribers.

Our broadband communication unit TTNET offered multiple play packages, which cover high speed internet, television, telephone, mobile broadband and Wi-Fi to its millions of customers. TTNET's new generation TV platform Tivibu is the "in" TV platform of 2012 in terms of both content and technology and it is available on four different platforms: tablet, smart phone, computer and television. In addition, TTNET offered shared quota

between fixed and mobile services, a first in Turkey and the region, with single invoice and flat tariff.

Other Group companies Innova, Argela, Sebit, Pantel, AssisTT and Sobee continued developing leading products and services and created added value to our millions of customers within the framework of our ICT strategy. We continued with R&D studies and investments and we are proud of being a leader in this field. We are the first Turkish company that signed a R&D loan agreement on technology with the European Investment Bank.

In parallel to our vision of offering the best communication experience to our customers, we will continue our growth and investments in 2013. We continue to be focused and disciplined. I would like to thank all the members of Türk Telekom family and all our stakeholders for their contribution and support.

Hakam KANAFANI
Türk Telekom Group CEO

Türk Telekom Management

Left-to-Right:

Murat Kırgöz, Memet Atalay, Can Esen, Gökhan Kayalibay,
Dr. Nazif Burca, Şükrü Kutlu

Left-to-Right:

Tahsin Yılmaz, Timur Ceylan, Mehmet Ali Akarca, Ali Yılmaz, Haktan Kılıç,
Mustafa Uysal



Türk Telekom Senior Management

Türk Telekom Management continues to carry out its activities in accordance with Corporate Governance Principles.

As of October 9, 2012, the following appointments were made in senior management: Murat Kırkgöz to the position of Türk Telekom CFO, Gökhan Kayalıbay as VP of Strategy and Business Development in the place of Mr. Ramazan Demir, Ali Yılmaz as VP of Sales, Mehmet Ali Akarca as VP of Marketing and Communications. At the same time, Celalettin Dinçer resigned from his position as VP of Sales, Erem Demircan resigned from his position as VP of Marketing and Communications, and Mehmet Kömürçü resigned from his position as VP of Legal and Group Company Secretary. Can Esen was appointed as Vice President of Legal Affairs on April 5, 2013.

Tahsin Yılmaz Türk Telekom CEO

Mr. Yılmaz graduated from the Middle East University's Electrical and Electronics Engineering Department in 1989. Though he began his career at Türk Telekom in 1989, but has worked for different companies providing telecommunications services and products for 20 years. Having held executive positions at different levels in companies providing services in Turkey's mobile communications field such as Turkcell, Telsim (Vodafone) and Aycell (Avea), he was tasked with the responsibility for medium- and large-scaled projects at Nokia Siemens Networks between 2004 and 2008. He was the General Manager of TTNET between March 2008 and September 2012 and has been the CEO of Türk Telekom since September 4, 2012. Tahsin Yılmaz is married and has three children.

Memet Atalay Vice President of Operations

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

Timur Ceylan Vice President of Technology

After graduating from the Electrical Engineering Department of Bilkent University, Mr. Ceylan completed master's programs in Electrical Engineering at Hacettepe University, in Economics at Bilkent University,

and in Electrical and Computer Engineering at the University of California, Irvine. Subsequently, he completed his doctorate degree at University of California, Irvine. Beginning his professional career in 1997, Ceylan joined Türk Telekom Group as Consultant to the Vice President of Operations in November 2007 after various managerial positions in different technology companies in Silicon Valley. Mr. Ceylan was Assistant General Manager of TTNET Teknoloji between May 2008 and November 2010. He was appointed as Vice President of Technology on 30th November 2010.

Gökhan Kayalıbay Vice President of Strategy and Business Development

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

Mehmet Ali Akarca VP of Corporate Department

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

Ali Yılmaz VP of Consumer Department

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

Department in December 2012). Mr. Yılmaz has been Vice President of the Consumer Department since December 2012. He holds a patent in Integrated Incentive Systems. Mr. Yılmaz is married with one child.

Murat Kırkgöz Vice President of Finance

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

Haktan Yaşar Kılıç Vice President of Field Management Department and the Regional Directorates

Mr. Kılıç graduated from the Department of Industrial Engineering of Marmara University in 1997 and completed his master's degree at the same department in 2001. He completed the Executive MBA program at Bilkent University in 2012. He started his business life in 1997 as production manager in Serve A.Ş., and then worked at Turkcell İletişim Hizmetleri A.Ş. in various positions between 1997 and 2007, after which he worked as Senior Management Consultant at IBM Turkey between 2007 and 2008. After leaving Eagle Mobile, the GSM operator in Albania where he worked as Marketing Director in 2008, he joined Türk Telekom Group as TTNET Marketing Director and worked as TTNET Customer Relations Director from February 2009 to March 2010. He served as Acting Vice President of Customer Relations from March 2010 until June 2011 when he was appointed as Vice President of Customer Relations (the Customer Relations Department was renamed the Field Management Department and the Regional Directorates in December 2012). Mr. Kılıç has been Vice President of the Field Management Department and the Regional Directorates since December 2012.

Şükrü Kutlu VP Human Resources, Support and Regulation

After completing his degree from Ankara University Faculty of Law, Mr. Kutlu obtained a Master's degree from Gazi University majoring in Private Law. He worked as an assistant auditor, auditor, and chief auditor at the Turkish Court of Accounts. He joined Türk Telekom in 2003 as Assistant General Manager and is continuing his duties as Vice President of Human Resources, Support and Regulation. Mr. Kutlu is currently serving as a member of the board of directors of TCDD (Turkish State Railways).

Mustafa Uysal Vice President of Finance in Türk Telekom Group

Having begun his business career as a Tax Inspector in the Ministry of Finance in 1976, Mustafa Uysal held positions in Anadolu Group as Coordinator of Financial Affairs, Vice President of Financial Affairs and Vice President of Business Development. With his experience in finance, tax policies and tax applications, internal audit, financial systems, business strategies, business development, corporate governance, risk management, and restructuring, he served between 2003 and 2010 as the President of the Tax Council which is composed of representatives of public and nongovernmental organizations, academicians and experts. During that time, Mr. Uysal presided over tax reform and coordinated the rewriting of tax legislation. A joint study he co-authored, "Strategic Approach to Revenue Administration and Audit in the Light of Contemporary Trends," won an award by the Tax Inspectors Foundation and subsequently published. Other joint study, "Inflation Adjustment and Accounting," was published by TÜRMOB (The Union of Certified Public Accountants and Sworn-in Certified Public Accountants of Turkey) and Yaklaşım Publishing. Mr. Uysal's articles are published in Dünya newspaper. He has been working as Vice President of Finance in Türk Telekom Group since 1 February 2010.

Dr. Nazif Burca Vice President of Internal Audit

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

Can Esen Vice President of Legal Affairs

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

Message from CEO-General Manager Türk Telekom

Türk Telekom, Turkey's leading communication and convergence technologies group, carried on to create value for the economy by continuing its investments all across Turkey.



While Türk Telekom's fixed line segment investments reached TL 1.6 billion in 2012, the number of broadband internet lines exceeded 7 million.

As the leading communication and convergence company in Turkey, we left behind a year that we continued creating value for our customers, stakeholders and the economy, and investing strategically to serve to the purpose of Turkey's being the communication leader in the region.

In 2012 our investment on Türk Telekom fixed side reached 1.6 billion TL. By further improving our broadband infrastructure and service quality we launched FTTB/FTTH fiber internet service. We continued our investments all over the country and covered approximately 2 million homes. As a result of our efforts to increase internet penetration in our country, the number of broadband internet lines exceeded 7 million. Thanks to our fiber investments, we not only offered higher capacity and speed to internet and data users but also increased the penetration of technologies such as internet-based TV, data center and cloud solutions. By this way, we helped our thousands of corporate customers differentiate from competition with our solutions and industrial applications tailored for enterprises at all sizes.

We continued offering value added services to our millions of customers on fixed side and attractive voice packages which include free calls from 7 pm to 7 am. In addition, we cooperated with Turkey's leading brands and launched home phone associated campaigns which contribute in family budget. With our device campaigns which bring new generation technologies to our customers, we focused on increasing innovative device penetration.

Under the scope of Fatih project which aims to offer hardware and software infrastructure, education content and effective use of information technologies at thousands of schools in Turkey, we were awarded intra-school infrastructure tenders in two of three regions. With our infrastructure investments, we will work for the use of modern technology and communication tools in educating young people.

Beside the commercial activities we run with customer satisfaction principle and awareness to create value for Turkey, we, as a good corporate citizen, develop social responsibility projects touching the social life. We continue adding value to the social life through our "Value to Turkey, Worth to Turkey" projects which are implemented all over the country. With Telephone Library project we developed with the Bosphorus University we increasingly contribute in the future and vision of the visually impaired people. I am pleased also for the fact that Türk Telekom employees joined the project as volunteer readers. As Türk Telekom family we continued contributing in employment in every city in Turkey and joined hundreds of engineers to our family.

We lead our industry also in environmental sustainability. In this scope, we transform our office practices and work processes according to the sustainability principles to leave a better world to next generations. Since 2010, we do reporting to CDP (Carbon Disclosure Project). In the evaluation made among the ISE 100 companies who do reporting to CDP, Türk Telekom was among the top 5 best reporting companies in terms of methodology and transparency. We are the first and only company in the

telecommunication sector who do regular reporting to CDP for the last 3 years.

Thanks to all these achievements, we had the honour of being the most valuable brand in Turkey for the fourth time in a row at Turkey's Most Valuable Brands research conducted by Brand Finance, international brand rating organization.

Our strategy for 2013 is a 3D strategy: digital transformation through life easing digital solutions; contribution in establishment of fully digital cities with applications and solutions run with the state-of-the-art infrastructures. In order to support this transformation, we target to have sustainable investment and technology eco-system. With the aim of offering excellent Türk Telekom experience to our customers, we have more effective and productive work processes and organizational structuring. By this way we will continue being the most correct address to carry our customers to the future with fully integrated solutions.

With the power of our strong brand, convergence products and team spirit we will continue improving the services and adding more value to our customers in 2013. We will continue working with the aim of easing the lives of our customers, business partners and all other stakeholders.

Tahsin YILMAZ
Türk Telekom CEO - General Manager

Türk Telekom Group CEOs



Left-to-Right: Ahmet Eti, Mevlüt Dinç, Bülent Kaytaç, Ali Dülgerođlu, Abdullah Orkun Kaya, Tahsin Yılmaz

Left-to-Right: Hakam Kanafani, Erkan Akdemir, Gregg Betz, Ümit Atalay, Aydın Ersöz

Tahsin Yılmaz Türk Telekom CEO - General Manager
Please refer to page 40 for his background.

Hakam Kanafani Türk Telekom Group CEO
Please refer to page 31 for his background.

Erkan Akdemir Avea - CEO

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

Abdullah Orkun Kaya TTNET- CEO

Abdullah Orkun Kaya has been the Chief Executive Officer of TTNET since November 2012. Previously, he was the Chief Financial Officer of TTNET and, before then, the Director of Capital Markets and Investor Relations at Türk Telekom. Mr. Kaya began his professional career at the Capital Markets Board of Turkey (SPK) where he worked for six years. Prior to joining Türk Telekom, Mr. Kaya held various roles at Merrill Lynch's London office where he was involved with debt instruments and strategic solutions. Mr. Kaya holds a Bachelor's Degree in Business Administration from Bilkent University and a Master of Business Administration Degree from Massachusetts Institute of Technology (MIT). Kaya is married and has two children.

Gregg Betz Pantel CEO

Mr. Betz has been the Chief Executive Officer of Pantel (former Invitel International) since 2008. Prior to being named as CEO, he served since 2000 as Chief Wholesale and International Services Officer at Pantel/Invitel. He also served as Chief Operating Officer of Euroweb (member of Pantel group) between 2000 and 2006 and as Regional Manager of Gerber Products Company from 1992 to 1998. He holds a B.S. Business Administration with a concentration in finance.

Ümit Atalay Innova - CEO

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

Aydın Ersöz Innova - CEO

After graduating from Robert College in 1980, Mr. Ersöz completed his Bachelor's degree studies in Electrical and Computer Engineering at Princeton University. He started working in Silicon Valley after his postgraduate education in the same field at Stanford University. He also held various positions at IBM Turkey for five years from 1988. He has held various management positions at Info Otomasyon A.Ş., which he joined in 1993, and was General Manager for his last three years there. Then, in 1999, he established Innova Bilişim Çözümleri A.Ş. and has continued to work as General Manager and Member of the Board at Innova since its purchase by Türk Telekom A.Ş. in 2007.

Ali Dülgerođlu Assist CEO

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

Bülent Kaytaç Argela CEO

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

Ahmet Eti Sebit CEO

Ahmet Eti, the founder of SEBIT A.Ş. and Sebit LLC (Arizona) and creator of the award-winning Vitamin and Adaptive Curriculum, is CEO of SEBIT and Chairman of Sebit LLC. He began his carrier in 1988 as a researcher in TUBITAK where he founded the Computer Aided Education and Multimedia Research Laboratory. After, in 1996, he founded Sebit and realized many award-winning global projects such as Akademia and its Chinese version, Tian-yi. With the acquisition of Sebit by SBS, he acted as the Director of Global E-learning at Siemens and implemented the Malaysian Math and Science Teaching Courseware Development Project and iClass, the largest educational R&D project of the European

Commission's 6th Framework Programme. In 2007 he sold his stake of SEBIT to Türk Telekom. Between 2008 and 2011, Adaptive Curriculum, was honored with several awards including: the CODiE Awards by The Software and Information Industry Association (SIIA) as "The Best Online Educational Solution" and "The Best Virtual School Solution", "Best Content Service" award in the World Communication Awards and "Distinguished Achievement Award" by the Association of US Educational Publishers. In 2001, he was chosen as Turkey's Most Creative and Innovative Young Entrepreneur in the World Junior Entrepreneur Businessman Contest and in 2004 won the Professor Mustafa N. Parlar Training and Research Association's Technology Encouragement Award. Mr. Eti received his B.S. and M.S. degrees in Electrical and Electronics Engineering from Middle East Technical University. He developed and held many projects in various countries for both governments and NGO's with his expertise in creating and modeling innovative education solutions, and he has greatly contributed to the transformation of education globally.

Mevlüt Dinç Sobee CEO

Mevlüt Dinç entered the gaming industry in the UK in 1983. His first company, Vivid Image, achieved many worldwide successes and undersigned games that receive awards worldwide, including Enduro Racer (Amstrad), Last Ninja II (Spectrum/Amstrad), Hammerfist (Amiga), Time Machine (Amiga), First Samurai (Amiga/Nintendo SNES), Street Racer (Nintendo SNES), and more. He returned to Turkey after working in the gaming industry in the UK for 15 years, and started to work on a 3D game motor called "Actor." In 2000, Intel used "Actor" in the worldwide demo of its new P4 2000 processor. Immediately after "Actor," Mr. Dinç established a young team and prepared the Nintendo Game Boy game called "Dual Blades." Since Sobee's joining the Türk Telekom Group, he has continued to work as General Manager of Sobee Studios. Mr. Dinç graduated from the Academy of Economics and Administrative Sciences in 1979.

Organizational Structure and Changes

While Türk Telekom Group carries out its activities by 9 directorates and 6 directorships, Internal Audit Unit reports to the Board of Directors through the Audit Committee.

Under the authority of the CEO, there are nine directorates including Operations, Technology, Strategy and Business Development, Corporate Customer, Consumer, Finance, Field Management Department and the Regional Directorates, Human Resources Support, and Regulations and Legal Directorate. In addition, there are six directorships directly reporting to the CEO including Capital Markets and Investor Relations, Program and Project Coordination, International Investments, Operational Legal Services, Purchasing and Corporate Communication Directorships. The Company's Internal Audit department reports to the Board of Directors through the Audit Committee.

In December 2012 it was decided that the Sales Department shall be renamed as Consumer Department and that this department shall be in charge of end-to-

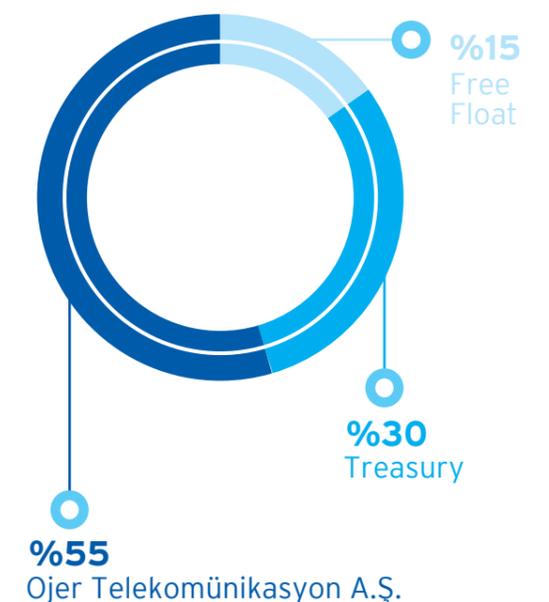
end management of all processes relating to residential segment customers. It was also decided that the Marketing and Communications Department shall be renamed as Corporate Department and that this department shall be in charge of end-to-end management of all processes relating to corporate segment customers.

Additionally, the Customer Care Department was renamed the Field Management Department and the Regional Directorates, and it has been decided that the Regional Directorates, who currently report directly to the General Manager, shall be repositioned to report directly to the Field Management Department. Since it has been decided that Pantel Group shall be in charge of international wholesale voice and data sales operations of Türk Telekom Group, the International Sales and Wholesale Department who had been running these operations was abolished.

Capital Structure and Changes



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



Speed in Education



Contributing to the development of the students through Türk Telekom schools constructed all across Turkey, Türk Telekom Group provides speed in education for the students with the fiber infrastructure installed in 81 provinces of Turkey.



Moreover, Türk Telekom Group will perform the installation of local area network, active devices and passive components of 2,236 schools within the scope of Fatih Project during 3 years.

Activities 2012

In 2012, Turkey achieved to obtain a moderate growth rate in line with the implemented economy policies.

Economic Outlook

Global Economic Risks Prevailed in 2012

Even though four years have passed since the onset of the global financial crisis in 2008, prevailing risks regarding the global economic outlook remain yet to be alleviated.

Generally speaking, the economic outlook in 2012 was shaped by the European debt crisis while towards the end of the year concerns over the US debt ceiling took over. European decision-making authorities lagging behind in taking concrete steps affected the global economic outlook and international markets negatively.

This situation required developed economies to give priority to rebuilding credibility and restructuring their finance sectors. Throughout 2012, developed economies focused on taking the necessary steps to enhance the credibility of their monetary, fiscal, and economic policies, to alleviate structural imbalances, and to revitalize their economies.

As for developing economies, their main struggle was implementing the optimal and most effective monetary, fiscal, and macro-prudential policies against the challenges and risks that were brought along by the aforementioned global conjuncture.

Turkish Economy Experienced a Rebalancing Process in 2012

Given the effective monetary policies implemented by the Central Bank along with low inflation, a maintained fiscal discipline, a lower debt burden, the significant decrease in the current account deficit, a healthy finance sector, and continued political stability, 2012 was a year full of success for the Turkish economy. Turkey managed to record a moderate growth rate in conjunction with the soft-landing scenario.

A strong performance in exports against the slowdown in domestic demand points to the rebalancing process in the economy. Even though it remained below expectations, the largely export-oriented 2012 growth rate of 2.2% could be described as a positive development in terms of the effectiveness of implemented policies. It is envisaged that the positive reflection of the Central Bank's accommodative monetary policy implemented since mid-year will become more discernible, and the contribution of domestic demand to production and growth will increase in the period ahead. Within this framework, a GDP growth rate of around 4% is projected for 2013.

Employment was Shaped by Domestic Demand

Throughout 2012, prevailing uncertainties regarding the global economy continued to pose risks to employment growth. Moreover, weak domestic economic activity and the outlook for economic growth also exerted upward pressure on the unemployment rate. The 2013 unemployment rate forecast presented at the Medium-Term Program (MTP) stands at 8.9%, slightly lower than 2012's rate of 9.2%. Developments, both global and domestic, will remain as the key factors shaping the employment outlook in 2013.

Moderate Inflation was Recorded

After hovering at the 10% to 11% level during the first four months of the year, inflation retreated to 8.3% in May. During the following four-month period, inflation fluctuated around 8% to 9% and then eased down to 6.2% in the final quarter of the year owing to favorable unprocessed food prices. The Central Bank announced that 2013 year-end inflation is estimated to be between 3.9% and 6.7% (with a mid-point of 5.3%). Domestic and external demand, the performance of the Turkish Lira, and the course in administered prices as well as the course in energy and commodity prices will be key factors in 2013.

Monetary Policy Supported the Real Economy

The Central Bank, in view of achieving price stability, sustained its tight liquidity policy in the first half of the year. As inflation retreated, monetary policy gradually became more and more accommodative in the second half of the year. With the implemented expansionary liquidity policy, short-term interest rates moved closer to the lower limit of the interest rate corridor. After September, decisions taken by the European Central Bank, which reduced global risks, along with more effective implementation of the Reserve Option Mechanism (ROM), facilitated a gradual lowering in the upper limit of the interest rate corridor.

In December, with the aim of containing financial stability risks posed by accelerating capital inflows, the Central Bank slightly reduced the policy rate while modestly tightening reserve requirements.

In 2013, the Central Bank will continue to implement monetary policies designed to maintain price stability as well as financial stability. In this regard, instruments such as the policy rate, interest rate corridor, liquidity management, reserve requirements, leverage-based reserve requirements, and Reserve Option Mechanism will be deployed.

Activities 2012

Current Account Deficit was Reduced

In 2012, the current account deficit narrowed down strikingly compared to the preceding year on the back of the rebalancing process between domestic and external demand, in favor of the latter, and the favorable course in energy prices. Consequently, the current account deficit/GDP ratio declined from around 10% in 2011 to around 6% in 2012.

As presented in the Medium-Term Program (MTP), the current account deficit is estimated to be US\$ 60.7 billion (7.1% of GDP) in 2013. Developments regarding both domestic and external demand along with the course in exchange rates, commodity prices, and energy prices will stand out as the key factors in 2013.

Fiscal Discipline was Maintained

In 2012, a budget deficit of TL 28.8 billion (approximately 2.0% of GDP) and a primary surplus of TL 19.6 billion (approximately 1.4% of GDP) were recorded. Compared to one year ago, fiscal performance displayed some deterioration as the growth in budget expenses outperformed the growth in tax revenues and, correspondingly, the growth in budget revenues which were negatively affected by the slowdown in the economy's growth rate. All in all, although the initial budget targets introduced in early 2012 were missed by a wide margin, the fiscal performance turned out to be much better than the revised estimates introduced in October. As presented in the Medium-Term Program (MTP), the 2013 budget deficit/GDP ratio and the primary surplus/GDP ratio are estimated as 2.2% and 1.2%, suggesting that fiscal discipline will be maintained in 2013 as well.

Turkey's Credit Rating was Upgraded

Turkey's strong economic fundamentals also draw the attention of international credit rating agencies. In this regard, in November 2012 Fitch raised Turkey's credit rating by one notch to investment grade level. A strong performance in public balances, progress made in the current account deficit problem, low inflation, moderate economic growth rate, favorable medium-term growth prospects, and a healthy finance sector all paved the way for this upgrade. As of year-end 2012, Moody's rates Turkey only one notch below investment grade while S&P rates the country two notches below investment grade. Further rating upgrades are expected to follow in 2013. Turkey's economic performance, outlook of the finance sector, and progress made in structural reforms will be the key drivers for the future rating upgrades.

	Standard & Poor's	Moody's	Fitch
01.05.12	BB (stable)		
20.06.12		Ba1 (positive)	
05.11.12			BBB- (stable)
Year-End 2012	BB (stable)	Ba1 (positive)	BBB- (stable)

Sector Outlook

World Telecommunications Sector

The world's telecommunications sector maintained its growth in 2012. Smart phones, tablets, cloud services and convergence technologies continued to increase data demand. As a consequence, infrastructure investments in both fixed and mobile telecommunications services leaped forward. Investments in Fiber, 3G and LTE (long-term evaluation) technologies continued.

When the fixed broadband Internet penetration rates of OECD are examined, it is seen that as of June 2012 while the cable Internet usage rate decreased, the fiber technology usage rate increased at the same rate compared to the end of December 2011. Fiber technology, while providing higher speed Internet, enabled new generation products such as IPTV. Also, VOIP, which provides voice service via the Internet, supported fixed voice revenues by compensating for the losses in fixed voice lines which decrease with each passing day. As a result of these developments, operators who are experienced in increasing product diversity in line with developing fixed broadband technology began to bundle their multiple-services offers into single packages. Multiplay packages, the most attractive trend in world telecommunications today, reflect these developments.

In addition, the mobile communication sector rapidly and significantly changed in 2012. According to five-year forecasts by research company Analysys Mason, half of the world's population will have used smart phones by 2017. The worldwide smart phone usage rate increased by more than 6% in 2012 compared to 2011. The increase in the smart phone usage rate caused a significant increase in mobile data usage. According to World-2013 Report of International Telecommunications Union, the number of mobile broadband subscribers reached 2.1 billion in first quarter of 2013, an eight-fold increase over the 2007 year-end level. Supporting the growth in the revenues of operators, this trend gained strength through the operator campaigns which included affordable smart device offers. The operators, needing to improve their coverage area and network quality due to increasing data demand, have extended their 3G and LTE investments. The infrastructure developed as a consequence of increased investments in both the fixed

and mobile segments featured convergence technologies. Consequently, the necessity of machine-to-machine communication, along with newly emerged opportunities, attracted much more attention to the sector in 2012.

The Telecommunications Sector in Turkey

Turkey is one of the most significant and fastest-growing markets in the region with its young and dynamic demographic structure and growing economy. In 2012, the telecommunications sector achieved a growth that was in line with expectations. By the end of 2012, the sector achieved 8% year-on-year growth to reach to TL 24.3 billion. In the market, voice revenues maintained their ratio to total revenues with a rate of 77%. Mobile data revenue continued to increase its share of revenues with an annual growth rate of 51%.

Based on the number of households, Turkey's fixed broadband penetration is above 40% compared to 60% levels in Europe, indicating growth potential in the fixed broadband market in Turkey. In the broadband market, where ADSL is the dominant technology, it was observed that investments in the fiber infrastructure, which provides high-speed Internet, increased in 2012. At the end of 2012, as a consequence of the investments realized mainly by Türk Telekom, the fiber length in Turkey exceeded 210,000 kilometers and the fiber technology provided by Turk Telekom reached 1.9 million households.

In Turkey's fixed broadband market, there are developments that parallel global trends. The most attractive innovation in 2012, for example, was the multiplay packages in which multiple products were offered via a single bill by the same service provider. Services such as the Internet, voice, mobile, data, and TV are provided in these packages. Yet another innovation that attracted attention in 2012 was the double play packages in which fixed Internet and 3G data services were offered together. With this method, which was implemented for the first time in Turkey by TTNET, subscribers are able to access the Internet from anywhere with their fixed broadband quotas.

In 2012, the mobile communications market in Turkey accelerated its growth with the significant impact of increasing smart phone and data usage. While total

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mobile Internet usage was 10.458 Tbyte in Q4 2011, it increased to 21.590 Tbyte in Q4 2012, and the number of smart phone users reached nearly 13 million by year-end 2012. Avea, at 24%, has the highest smart phone penetration rate in the market.

Another factor influencing market growth is the ongoing prepaid-to-postpaid tariff migration. By the end of 2012, 62% of mobile subscribers were prepaid subscribers, and in the last year the rate of postpaid subscribers increased to 38.4% from 35.3%. Turkey's prepaid subscriber ratio of 62%, as compared with Europe's 43%, indicates growth potential in the country that will occur with continued migration to postpaid tariffs.

In 2012, while the number of mobile subscribers and the mobile penetration rate both increased, Turkey was still seen to be the top country in Europe in terms of mobile MoU.

Investments

In 2012, the significant amount of fixed line investments was for fiber transformation. In addition, cloud services, IT, VPN, IPTV and digital media were among the more remarkable investments. Sizable investments in the mobile segment were comprised of 2G and 3G infrastructure and base station investments.

By the end of 2012, total mobile traffic was approximately 170 billion minutes while fixed traffic was amounted to 19.4 billion. While mobile traffic increased by more than approximately 15%, fixed traffic decreased by more than 11% compared with the previous year. Total traffic, which was approximately 170 billion minutes at year-end 2011, reached approximately 190 billion minutes by year-end 2012.

Fixed Voice Market

By the end of 2012, the fixed voice penetration rate in Turkey, which has over 13.8 million fixed line subscribers, fell 2.3% to 18.3% compared with 2011. Regardless, since the number of average household is too large (3.76 people) in Turkey this indicates that fixed line services usage is widespread in most of Turkey.

In Turkey, Türk Telekom has nearly 90% market share in fixed voice market service revenues. One of the important developments that occurred in fixed voice market in 2012 was the engagement of Wholesale Line

Rental. Along with this development, other fixed voice service providers also had the opportunity to provide more flexible offers to their customers with their own tariff structures by renting Türk Telekom lines. This situation also enabled TTNET to offer more enriched packages by adding fixed voice offers to ADSL packages.

Fixed Broadband Market

Turkey offers investors strong opportunities in the fixed broadband market. Türk Telekom is in the leading position in fixed broadband market in Turkey with 88% market share. TTNET, a subsidiary of Türk Telekom, is the leader of the retail fixed broadband sector with 76% market share. As of 2012, the fixed broadband population penetration rate in Turkey was 10.5%. This rate is fairly low compared to the OECD average of 26%, indicating growth opportunities in the country

By the end of 2012, the number of broadband subscribers was realized as 7.9 million with an annual growth rate of 4%. The number of fiber subscribers was nearly 645,000. Most of this growth stems from the increase of %140 in the number of fiber subscribers compared to last year.

Türk Telekom leads Turkey's fiber transformation. Significant progress has been made in line with the target to establish a fiber infrastructure within all 81 provinces of Turkey. By the end of 2012, Türk Telekom's fiber infrastructure amounted to more than 168,000 km and home passes (the number of households/buildings that are able to receive fiber service) of over 1.9 million.

High-speed Internet and fiber transformation enabled broadband service providers to diversify their products. One of the most concrete examples for this is the IPTV that enables broadcasting via Internet. IPTV is only offered by TTNET in Turkey via the Tivibu Home brand. Multiple-product packages also take an important place in the Internet market. Internet service providers are able to provide Internet and fixed-voice services as well as TV services in a single bill along with DSL packages.

80% of fixed broadband subscribers in Turkey prefer packages which allow for connections of up to 8Mbit/s. At the end of 2012, total fixed Internet usage was realized at 579.036 Tbyte. TTNET is in the leading position in broadband market at WiFi hotspot points. With TTNET

WiFi, high-speed and safe Internet connection can be accessed at nearly 6,000 points (airports, marinas, café and restaurants, etc.) outside homes and offices.

Another important development in recent years is the growth of the mobile broadband market. However, fixed broadband with its tariffs offering high speed and unlimited quota provides a competitive advantage over mobile broadband tariffs which can be provided with low and limited speeds.

Türk Telekom regards 3G technology as complementary to broadband, not as a substitute. The Common Quota tariff, a first in Turkey which TTNET launched at the end of 2012, is a result of this approach. With the Common Quota, the subscribers enabled to use their internet quota in the package of fixed broadband tariffs, also with their 3G mobile devices.

Mobile Communication

As of December 2012, there were 67.69 million mobile subscribers in Turkey, nearly 89.5% of the population. While Turkey was top among European countries in terms of mobile MoU with 291 minutes, Avea became the top operator in terms of MoU in Turkey with 350 minutes.

In addition to the number of 3G subscribers growing in 2012 (from 31.4 million at the end of 2011 to 41.8 million by the end of 2012), the number of subscribers who connected to Internet via mobile devices and smart phones along with 3G services also increased (from 6.4 million to 12.16 million in the same period). By the end of 2012, the total mobile Internet usage amount realized as 69.073 TByte.

Another important development in 2012 was the migrating tendency from prepaid subscribers to postpaid subscribers. With more than 44% postpaid subscribers, Avea is in the leading position. In 2012, there was an increase in mobile data revenues. Increased 3G-enabled devices and smart phones, as well as increased mobile device penetration rates, had a huge impact on this. At the end of 2012, there were approximately 13 million smart phone users in Turkey, and the operator with the highest smart phone penetration was Avea. The campaigns of mobile operators related to smart phones was effective on the rapid increase of the number of smart phones.

** Data of Turkey's telecommunications sector was examined within the scope of the report issued based on the data submitted regularly by operators to the Information and Communication Technologies Authority which carries out activities in Turkey's electronic communications sector.*

Legislative Framework and Regulatory Authority

The sector's regulatory authority the Information and Communication Technologies Authority (ICTA), was established in January 2000 under the name of The Telecommunication Authority. As an authority with administrative and financial autonomy, it became operational in August 2000 and, along with Electronic Communication Law, entered into force on November 10, 2008 under its current name. As a specifically authorized independent administrative authority, ICTA has the authority and duty to regulate and audit entry into the sector, activities, service standards, formation and maintenance of competition, the protection of consumers and their personal information, operating principles of operators, settlement of disputes, and administrative sanctions.

In 2012, the BTK took many important decisions aimed at developing the sector. The most important of these was the "Wholesale Line Rental" regulation that entered into force on February 1, 2012. Through this service, alternative operators may collect monthly fixed line fees from customers on behalf of Türk Telekom while the customer's loop physically stays with Türk Telekom. All applications related to line transactions can be performed through the operator providing the service, and these operators can provide services through the tariffs which can be determined themselves and subject to the consent of ICTA. Türk Telekom obtains call origination and termination fees related to the traffic performed through the lines contained in Wholesale Line Rental (WLR) in addition to monthly fixed fees. Subsequent to this regulation, TTNET began providing fixed voice service in addition to fixed Internet and TV offers, gaining an important position in the WLR market in terms of number of subscribers in a very short time.

The Regulation on Rights of Way in the Operation of Electronic Communication Services was abolished as of December 27, 2012 and new regulation on the usage of every kind of cable and similar materials on the current fixed and mobile communications infrastructure was issued.

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Türk Telekom, Turkey's leading integrated telecommunication and technology services provider, offers wide range of services from fixed line to GSM, data, internet and innovative convergence technologies to its customers through its Group companies.

Türk Telekom Group Operations

Communication and Convergence Technologies Expert

Owning 40% of Avea shares apart from fixed line operations and broadband services when Türk Telekom was privatized in 2005, Türk Telekom is today the leading integrated telecommunications and technology services provider in Turkey. The company provides a wide product range to its customers, from fixed line to GSM, data, Internet and innovative convergence technologies.

Türk Telekom owns 100% of the following: Broadband operator, TTNET; convergence technologies company, Argela; information technologies solution provider, Innova; online education software company, Sebit; online game company, Sobee; call center company, AssisTT, which provides guidance and customer services; wholesale data and capacity service provider, Pantel International AG, and its affiliates. It also owns 90% of Avea, which is one of three mobile communication operators in Turkey. By the end of 2012, Türk Telekom Group had 14.3 million fixed lines, 7 million ADSL lines (wholesale) and 13.5 million mobile line subscribers.

Future Vision and Strategic Approach

Forging ahead to become a global telecommunications company, Türk Telekom further strengthens its regional power through collaborations with telecommunications and technology companies in many countries.

Türk Telekom committed itself to offering fast, high-quality, affordable services to its customers anytime and anywhere by providing customer-focused integrated communications solutions. Türk Telekom aims to carry its customers into the future in communication. Türk Telekom carries out its activities with its customer-focused, reliable, innovative, responsible and devoted team.

Türk Telekom aims to maintain its leadership in the communications and services market and also to become a major communications and entertainment provider within the region by providing competitive advantages for new generation communications services on top

of adding value to conventional telecommunications services.

Türk Telekom's strategic priorities include

- Becoming a service provider offering all communications services together by offering attractive multiple packages and peer-to-peer solutions for all communications needs of individual and corporate customers through the combination of convergence strategy and group synergy,
- Expanding the fixed and mobile broadband market with high quality and optimized speed by continuing fiber investments,
- Maintaining fixed voice and broadband services as well as mobile network investments in tandem with developments in technology,
- Offering integrated communications solutions by creating the best-perceived value and accordingly growing the mobile voice and Internet business by making continuous progress at the points of contact with customers and developing offers to meet their the needs,
- Reviving the communications sector with an integrated portfolio of products and services intended to strengthen its presence in Home and Business,
- Leading the sector and maximizing customer lifetime value through multiple package and TV offers,
- Providing innovative services in the field of information and communications technologies by utilizing digital opportunities,
- Improving efficiencies within the region by growing in developing markets,
- Developing innovative products, increasing the group's patent portfolio, anticipating, exploring and adopting new technologies that impact Group's business through a best in class in house R&D organization, and a strong external scientific and partner ecosystem.

Türk Telekom Group Companies

AVEA **avea**

The mobile operator Avea, an 89.99%-owned subsidiary of Türk Telekom, offers its customers a quality communications experience in the international arena through its roaming agreements with 662 operators in 202 countries. With 13.5 million subscribers at the end of 2012, Avea is the youngest, most innovative and fastest-growing communications operator in Turkey. Increasing its number of base stations to 24,106 as of December 2012, Avea covers 97.9% of country through its new generation network.

Avea is the GSM Sector's Best Operator

Generating the highest revenue per customer in the sector, Avea continues to lead in minutes of usage per customer with 350 minutes. Developments in the mobile Internet segment, one of the main factors of revenue growth, contribute not only to financial success but also to social advancement. By the end of 2012, 24% of Avea customers used smart phones. The number of mobile Internet users had doubled by year-end 2012 as compared with 2010. As a result, Avea's mobile data revenue increased by 79% by the end of year compared to the previous year. In 2012, the investment amount was TL 757 million.

Avea Employment Highlights

Avea is committed not only to developing innovative and sustainable projects to enhance the integration of social, economic, and cultural life but also to the employment of disabled persons. Avea has employed 3,093 disabled persons as of 2012 with its "Öz@ümüzle Üretiyoruz" (We Produce with our Disabilities) program. The program, now in its seventh year, is carried out in cooperation with the Foundation for the Physically Disabled (FPD). Another interesting Avea employment highlight is its call center. The company's Yozgat and Ordu call centers, which were launched in 2012, together employed 2,671 people as of December 2012.

MIT & R&D Cooperation

Avea, the first and only GSM operator in Turkey with an R&D Center Certificate, the globally-recognized US University, Massachusetts Institute of Technology (MIT), signed the "R&D Brotherhood" cooperation for jointly

exceeding targets. The cooperation brings together two giants to form an informatics bridge between Boston-based MIT, one of the most important educational institutions in the world in technology, and Avea's Technology Center in Ümraniye, Istanbul. The agreement was concluded in Boston in April with the participation of Dr. Federico Casalegno, MIT Mobile Experience Lab Director, and Erkan Akdemir, Avea CEO.

Sponsoring the "Design without Boundaries" research carried out in the MIT Mobile Experience Lab within the framework of cooperation, AveaLabs will carry out the R&D power of Avea into the international arena while conveying expertise and experience of MIT to Turkey. The cooperation also aims to improve relations between teams of both parties. The cooperation will convey the operating principles, research models and future vision of MIT to Turkey.

Mobile Telecommunication Collaborations

Maintaining its support of Turkish football, Avea has blazed a trail both in Turkey and in the world by simultaneously sponsoring Beşiktaş, Fenerbahçe, Galatasaray and Trabzonspor.

Avea also builds mobile telecommunications collaborations based on revenue sharing to generate additional income for the clubs. The "Club-branded" business model, launched with "the Big Four" - Kartalcell, Fenercell, GSMobile, and TrabzonCell - in 2009, was expanded to include Altay, Buca, Göztepe and Karşıyaka Sports Clubs. While providing affordable call services for fans and access to up-to-date information, a new channel was established in order to provide full support besides selling tickets.

Smart Cities

Avea develops innovative technologies that enhance life by considering natural resources, the environment, and individuals while designing cities of the future. Therein, Avea aims to be a driving force in the social and cultural designs of tomorrow's smart cities.

In 2012, Avea blazed a new trail by realizing Turkey's most comprehensive sustainable urban development project, the Smart Municipality Project. In conjunction with the Municipality of Eyüp which has the sixth-largest area of Istanbul, the 360-degree integrated project offers

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free Internet access in parks, security, optimization of municipal services, QR code usage in historical places, efficiency of field staff, and safety of employees.

Furthermore, progress has been made in activities which will solve traffic problems in big cities with real time data. In cooperation with İSBAK A.Ş., an affiliate of Istanbul Metropolitan Municipality, Avea has produced an application which not only determines real-time traffic density but also predicts traffic situations one hour in the future. The initiative seeks to avoid traffic jams before they are created.

Mobile Health Solutions

With its investments in technology, Avea continues to make progress in Human Touch Points. Avea attracts the health world into Avea stores through its special peer-to-peer products and solutions including protective information, tele-medical and tele-health offered to health sector employees and companies. Thanks to protective information services, Avea subscribers can find the nearest all-night pharmacy through the Night Pharmacy Service and also locate a family physician through the Family Physician Enquiry Service. All information related to health, including the I'm Pregnant, I'm A Mother, Diabetes, and Healthy Life packages, can be received via SMS. Customers who use the My Doctor service can communicate with doctors and can receive consultancy services about health issues and request emergency assistance.

Also in 2012, Avea continued its uninterrupted ambitious and serious activities in the tele-medical field. Improving the lives of patients with mobile technologies, Avea launched the first and most comprehensive Remote Chronic Disease Surveillance Project in Turkey in cooperation with Acıbadem Mobile Health Services. With this project, patients - not only chronic patients, but all patients - who have been discharged from hospital and who require home care or otherwise need to be kept under surveillance and protective controls after emergency medical intervention, are tracked 24/7 regardless of time and location. This application, which aims to enable rapid and proper treatment and care services through mobile tracking systems and supervisions, is projected to assist more than 10,000 patients within the first year.

Avea aims to enhance the daily lives of employees and to provide high-speed information access through services devoted to employees in the health sector. One such service is The Ministry of Health's Public Circular SMS Package which notifies subscribers to this service with announcements from authorities such as the Ministry of Health and the Social Security Institution (SGK). Another significant Avea service is its Mobile Signature Service which provides safe access to the same authorities' electronic applications such as e-prescription via mobile.

Another mobile health project initiated by Avea is the SanPad Project, the first full-scale tablet project in Turkey carried out with an operator in the pharmaceutical industry. Within the scope of this project launched in cooperation with Sanovel, presentations for physicians are uploaded to iPads through specially developed applications. With this project, Sanovel enjoyed cost savings of up to 75% by terminating the production of printed materials for nearly 60 medicines previously sold through active marketing.

Customers Have the Control Thanks to S.E.Ç.

In 2012, Avea blazed a trail in Turkey's GSM sector by launching its S.E.Ç. (Simple, Affordable, and Diverse) boutique tariff. In a market riddled with complicated offers, the S.E.Ç. tariff brings together under the same roof all the common and affordable tariffs that meet all the needs of both prepaid and postpaid users, including smart phone users, in a simple format that allows customers to choose based on their needs.

Communication From Both Land Lines and Mobile Lines

Avea attracted the attention of mobile users in 2012 through many useful solutions packages. SMS and mobile Internet packages were launched to meet the free and affordable communications needs of all subscribers, while new offers were provided to football fans which were special for their Club-branded lines. For the first time in Turkey, a special solution package which provides communications from home telephone land lines as well as mobile phones with a special offer was offered to home telephone subscribers. Avea also permitted subscribers to create their own tariffs, allowing for the most suitable, most affordable, tailor-made solutions by adding mobile Internet and/or SMS packages as preferred.

An Operator Providing Savings Anywhere

Within the scope of the "Avea provides savings anywhere" platform, Avea subscribers had many opportunities in various sectors such as food and beverage, fashion, automotive, clothing, home decoration and travel by collaborating with leading brands. A total of TL 33.3 million was saved by 916,000 Avea subscribers in 2012. Furthermore, Avea granted additional privileges to its customers by running 135 campaigns throughout the year.

Avea's Enlivened Life Packages offered users nine new product options including "Avea Caricature," "Avea Astrology," "Avea Anatolia Agency News," "Avea Magazine," "Avea Technology," "Avea Film," "Avea Basketball," "Avea Public News" and "Avea Cinema News" in cooperation with content partners who are known brands in their fields.

Affordable Internet Era

Avea prevented the unexpectedly high bills through its affordable Internet packages launched in Q3. The fearless Internet packages of Avea, which blazed a trail in Turkey, also eliminated the "excess package usage." Being the fastest-growing GSM operator in mobile Internet business, through Avea aims to achieve highest level of customer satisfaction and to increase the number of mobile Internet users, both from mobile and Jet, as well as increase its revenues while providing affordable, unlimited and social package options for different needs throughout the day and night.

First Smart Phone "Avea inTouch"

Avea released its first branded smart phone, the "Avea in Touch" in 2012. With a cash price of TL 399 or monthly TL 1 added to the tariff, the Avea in Touch featuring android 2.3.5 operating system, 3.5 inch 480x800 resolution touch screen, 600 MHz Qualcomm processor, 3.2 MP camera, 512 MB RAM and 32 GB memory card as well as WiFi, Bluetooth and GPS support, created a buzz in the market with its elegant design.

Women Victims of Violence are Under the Protection of Avea

Utilizing innovative technologies to enhance economic and social life, Avea launched its "Electronic Support System in Protection of Victims of Violence" within the scope of its "Security Button" realized in cooperation with the Turkish

Ministry of Family and Social Policies, the Turkish Ministry of Internal Affairs, and the Turkish National Police.

The project's pilot scheme, launched in Adana and Bursa, was carried out under the authority of Fatma Şahin, the Turkish Minister of Family and Social Policies. The device transmits details of a customer's most recent location, and this information is then transferred via GPS to the 155 Police Crime Line. Thus, police are able to take emergency measures to protect customers.

Avea Musical Concerts

Adopting the vision of adding value to social life, Avea has been bringing together famous singers from Turkey and all over the world for music lovers to enjoy. With this aim, the Avea Extraordinary Musical Concerts and Avea Escape With Music Concerts continued in 2012.

The fourth Avea Extraordinary Musical Concerts, combining modern with traditional, domestic with global and bringing together great artists from East and West, was held on November 13, 2012. Within the scope of this concert, world-famous Iranian trio Niyaz synthesized Middle East folk sounds, poetry and songs, including the poetry of the mystic Sufi, with Western electronica.

The third Escape to Music Concerts attracted the interest of music lovers by bringing together rock and indie pop artists such as Sharon Van Etten, a rising star of Indie rock and neo-folk music who received full marks from critics thanks to her unique performance on the Escape to Music stage. Irish group Thin Lizzy, known as one of the most important figures of hard rock, and Heavy Metal greeted fans at Küçükçiftlik Park with the sponsorship of Avea.

Avea and FC Barcelona Joined Their Forces for the Future Football Players

As the "Turkish Official Telecommunications Business Partner" of FCBarcelona, Avea collaborated with the world's best football team, FC Barcelona, in shaping Turkey's future football stars.

Those partners launched FCBarcelona Camp in 2012. As a consequence of a selection performed among 1,500 young talents, 120 candidates among 240 talents were elected within the scope of the project in which over

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5,000 applications from children aged between 9 and 14 years all across Turkey began their first training camp in Riva under the management of Toni Claveria Mayol, FCBEscuela Camp Avea Director, for becoming a future Messi, Iniesta and Xavi. The second training camp, including a second 120-person group, was held in Antalya, and in this training camp in addition to Josep Moratalla, FCBEscuela national football coach, Carles Rexach, former technical director of Barcelona who recruited Lionel Messi, the world's greatest football player, into the Barcelona Youth Team by discovering him in the Argentina League at 13 years old, also participated.

For creating a permanent value in every respect at FCBEscuela Camp Avea, a total of 24 games masters and trainers also received instruction in the first and second period training camps. Thus, the training provided at FCBEscuela Camp Avea will be conveyed to hundreds of trainers, not only to 240 children.

2012 Awards

- At the Fifth World Finance Magazine Awards, organized by the UK-based international business magazine, World Finance, and considered one of the world's most prestigious business awards, Türk Telekom CEO Erkan Akdemir was named CEO of the Year.

- Being a leader in innovative technologies, Avea was granted the "Oracle Fusion Middleware Innovation Award" at the "Oracle Innovation Awards" which are given out to those who use the most invested middle tier business products in the most integrated way among their business solutions and to those who develop the most innovative solutions in accordance with business demands with "Identity and Access Management Project."

- The quality of Avea customer services was officially registered at the "Turkey Call Center Awards," one of most prestigious business awards in Turkey. Avea was granted two awards in the categories of "Best Customer Experience" and "Best Usage of Technology."

- At the "Brandon Hall Group Excellence Awards," regarded as one of the most prestigious awards in education and development, Avea was granted awards in the categories of "Best Use of Game for Learning,"

"Best Use of Mobile Learning" and "Best in Coaching and Mentoring" with its projects in the fields of learning and talent management.

- Avea was officially recognized at the "Stevie International Business Awards," one of the most prestigious business awards in the world, with its customer services quality. While Avea Customers Services was awarded with "Customer Service Department of the Year" in the category of telecommunications, Orçun Onat, Chief Customer Care Officer, was awarded in the category of "Customer Service Executive of the Year."

- Avea's "Turkey's Children, World's Stars" project, creating a difference with support for Turkish football, was granted the Global Golden Peacock Corporate Social Responsibility Award at The Seventh International Social Responsibility Conference organized in Dubai.

- AveaLabs Customer Experience Center was awarded in the category of Retail Interior at 2012 European Property Awards with its SKM Projects+ design.



Established in 2006 to bring the world to Turkey via the Internet, TTNET is today a leading communications and entertainment company offering corporate and individual customers the technologies of the present and the future.

TTNET integrates the three main components of communications technologies - Internet, TV and telephone - in order to meet the full range of Turkey's communication needs through offerings in education, entertainment, communication, security and corporate business. The Company's product portfolio features rapid Internet access via ADSL/VDSL 2, fiber Internet access, WiFi wireless Internet Access, TTNET WiFi international Access (in cooperation with iPass), G.SHDSL, Metro Ethernet, ATM and Frame Relay Internet Access services. TTNET also delivers to its customers the mobile cinema and TV service, Tivibu Web, the IPTV service Tivibu Ev ("Home") accessible via a home TV set, as well as the full

range of mobile communications including GSM and 3G under the TTNET Mobile brand.

In addition to Internet access, TTNET's value-added services include TTNET Müzik ("Music"), a platform to enjoy millions of songs free of charge, as well as the digital game platform, Playstore, and the ground-breaking smart education support systems, TTNET Vitamin İlköğretim ("Elementary School") and TTNET Vitamin Lise ("High School").

TTNET Güvenlik ("Security") offers a number of secure Internet products and services to clients while TTNET İşyerim Paketleri ("My Business Packages") provide custom-made products and services that meet the unique needs of companies.

By offering Internet, TV, PSTN and mobile voice services to customers on a single bill, TTNET became the first communications and entertainment company in Turkey to deliver a "four-in-one service," resulting in yet another national breakthrough.

Prominent Developments in 2012

TTNET provides fiber speed Internet service in Turkey's 81 provinces. Current customers with suitable access infrastructure can automatically begin to use fiber speed Internet without any changes to their bills. For new customers, "TTNET FIBER INTERNET Packages" were provided.

Thanks to a new technology, and a first in Turkey, mobile and fixed Internet can be simultaneously offered from a single quota. With the "Common Quota" package which completely changes the perception of the Internet, users have the opportunity to freely use their home Internet outside the home via 3G with a single bill and single fee.

The number of NETDISK users using the cloud information solution, which allows for the storing of data such as photographs, films and music, exceeded 75,000.

Considering the increasing competition in the communications sector, and with the importance of customer loyalty becoming more of an issue, TTNET, with the intent of improving customer satisfaction, has

launched its "Smiling Customer" program. Conducting studies to determine the priorities of customers and to create business process according to that, TTNET realized 88 of 133 projects/actions within the scope of the program in 2012. Throughout the year, with the intention of making customer-focused approaches a part of the corporate culture, various meetings, trainings and activities intended for the employees were conducted.

In 2012, in line with its corporate social responsibility strategy, TTNET performed activities intended to enhance the education level of the public and enable them to benefit from socioeconomic development opportunities offered by communication technologies by supporting the "becoming knowledge-based society" target of Turkey. In this context, with the social responsibility project, "Life is Easy with Internet," launched in cooperation with the Turkish Ministry of Transportation, Maritime Affairs and Communications, it aims to provide Internet training to over 2,000 people above 12 years old who have never used the Internet. The Travelling Training Lorry was converted into a 25-person classroom for this project and performed its first implementation in Izmir. Subjects such as understanding and learning on Internet, e-mail usage, banking transactions, social networks, blogs, video telephony, online shopping and security are all conveyed to the participants within the scope of the project. Participants who complete the 10-hour program within one week receive certifications. Before the end of 2012, targets were exceeded, with the program reaching a total of 2,057 people including 696 women, 831 children and 530 men.

Digital Entertainment Products

TTNET's new generation TV platform, Tivibu, was the rising star TV platform in 2012 in terms of content and technology. The number of provinces which were provided with broadcasting service in the Tivibu Home segment through IPTV technology also increased as daily installations approached 1,000.

Significant growth was also realized in other Tivibu platforms. While reaching nearly 1 million subscribers in Tivibu Web segment, Tivibu Mobile offered to mobile users affordable prices in 2012. Furthermore, Tivibu Home began to provide services through an application

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integrated into Vestel Smart TVs. With Tivibu Smart TV application, Vestel Smart TV users can benefit from Tivibu's advanced services including "Choose & Watch," "Replay" and "Rent & Watch" from 31 TV channels.

The Social Tivi application developed by Tivibu which provides a social media experience via TV, is being used by over 30% of Tivibu Home subscribers. On the other hand, other Tivibu applications that convert smart phones and tablet computers into remote controllers were also provided.

Tivibu blazed a trail in Turkey by broadcasting the London Olympics on four screens and on six different channels in HD and standard image quality with the contributions of TRT Sports. The Olympics broadcast had a positive impact on the number of subscribers.

Another important step in sports was the broadcast of Italy Serie A, France Ligue 1, England FA Cup and 2014 World Cup qualifying and playoff matches of the England National Football Team that will be played on its own football pitch, on 4 screens for all Tivibu users freely within the framework of the agreement with TRT Sports.

TTNET Music, another TTNET entertainment product, maintains its position as being the largest and predominant music platform with nearly 3 million local and foreign songs. Reaching nearly 4.5 million individual users a month in 2012, TTNET Music drew intense interest from users through radio and mobile applications. With a new TTNET Music application, by which music lovers can listen to all songs free of charge, a single song or whole album became downloaded with a single click. The previously-offered 100 local songs package continues as before. TTNET Music also realized a very special application - the first official business partner of Facebook - providing music content in Turkey. With this application, TTNET Music users are able to listen to local and foreign songs through Facebook.

TTNET's digital game platform, Playstore.com, maintains its position as a key player in the digital game sector and continues to develop with each passing day in Turkey. Through content studies, the Playstore.com catalogue offers nearly 1,000 different games. In 2012, Playstore.

com offered new games of record-breaking series such as "Call of Duty Black Ops II" and "Football Manger 2013" to its users. Furthermore, allowing payment by 12 monthly installments also increased demand.

TTNET launched its brand new technology platform, TTNET Book, in November 2012. Providing book reading pleasure regardless of time and location to everyone, TTNET Book allows readers to purchase books at affordable prices and read them anytime and anywhere via their iPad, iPhone, Android tablet or smart phone. With books from over 100 publishing houses, TTNET Book permits the reading of e-books from many different categories by downloading to any of five different mobile devices.

2012 Awards

- TTNET received three awards at the Stevie International Business Awards. While TTNET was awarded with Best Technology Usages in Customers Services with TTNET ADSL First Aid Service, and awarded with Bronze Award in categories of IVR and Web Service Solutions with TTNET IVR (Interactive Voice Response), it was also awarded with a Gold Stevie Award in the category of Best Product or Service of the Year..
- TTNET received a total of seven awards, one of which was the "Grand Prize" in the categories of Media, Campaign and Radio at the 2012 Crystal Apple Awards with the advertisements promoting the "Pause & Watch" and "Replay" features of Tivibu.
- The "Children Grow Together With Saplings" Project was awarded with an honorable mention at the Pr News Awards.
- TTNET was awarded First Prize in the category of Best Information Technology Communication Product and Services in Media at the Kirmızı - Creative Advertisement Awards with Tivibu.
- Telepati Magazine chose TTNET as Pacemaker Corporation, Turkey's First 3-Game Corporation - Converting the Convergence between the communications, information and telecommunications sectors into Implementation.
- The Eko Vitrin Stars of the Year Academy chose TTNET as the Company of the Year in the communications sector.

PANTEL

Turkey, a hub of intercontinental communication

On October 7, 2010 Türk Telekom acquired Invitel International, a leading data and wholesale capacity provider in central and southeastern Europe, and changed its name to Pantel. Being one of the top players in its field with over 40,000 km of optic fiber network across 19 nations and more than 50 points of presence in Europe at the end of 2012, Pantel delivers national and international alternative fiber optic infrastructure services with its state-of-the-art communications systems.

By the end of 2012, the international wholesale voice services provided by Türk Telekom and Pantel were integrated under the Pantel brand. The integration of the two international voice businesses allows Pantel to better serve its customers by leveraging the assets and experience of both companies to provide voice connectivity to a wider geographic area across Central and Eastern Europe, Turkey, the Middle East, the Caucasus and beyond. This advantage has propelled Turkey to the position of regional hub in telecoms. Pantel plays a critical strategic role by significantly contributing to Turkey's transformation into being a bridge of data and voice connecting the Middle East to Europe. Türk Telekom has established data and broadband traffic in Turkey, the Middle East, Asian markets on the one hand and Western Europe and America on the other thanks to Pantel. Thus, Türk Telekom further strengthened its global position in 2012.

As of the fourth quarter of 2012, Pantel and Paltel, the largest private-sector telecommunications company in Palestine, announced that a major advancement in connectivity for Palestine will be provided to enable Palestine to advance its communication network. Pantel and Paltel have come together to connect their communication networks from Frankfurt to the west of Palestine and Jordan to the east. This connection is the first international direct cable line that connects the IP Hub of Palestine to Europe. It is a highly resilient communication network designed with full redundancy

and scalable features for providing service to future communication needs of the region.

Pantel has two full redundant fiber optic-based DWDM networks between Frankfurt and Istanbul. Both routes pass through Romania and Albania. For adding new countries to the big backbone of Pantel, the decision has been taken regarding establishment of a dark fiber route passing to Frankfurt over Serbia, Croatia and Slovenia. At the end of October 2011, the first phase of the project was handed over. The last phase of the project included the establishment of the Belgrade-to-Frankfurt line over Munich, which was realized in the third quarter of 2012. At the third route of the project, Pantel built redundant DWDM routes to Belgrade, Zagreb and Ljubljana.

At the end of 2012, a new point of presence was established in Hong Kong. Pantel's first point of presence in Asia was located in the region of MEGA I-Advantage. As an alternative key telecommunications operator in Central and Eastern Europe (CEE), Turkey, the Caucasus region, the Middle East and beyond, Pantel offers the full range of Internet/data, infrastructure and wholesale voice services to:

- Incumbents,
- Alternative carriers,
- Mobile operators,
- Cable TV companies, ISPs and
- Corporate clients.

With its comprehensive network across CEE and robust position in the rapidly-growing Turkish market, Pantel stands out as an ideal solutions partner for West European and American operators seeking access to these regions.

The sustainability and corporate social responsibility approach is integrated with the business model of Pantel. Participating in many international voluntary projects, Pantel supports societies.

Türk Telekom Group Companies



Offering independent solutions since 1999 to corporations in every sector, primarily telecommunication, finance, production, public and service sectors, Innova has managed to export its solutions offered at international standards to 28 countries in three continents so far. With its "Innova Partner Program," Innova has expanded its sales and service network outside the borders of Turkey to include 25 business partners in 15 countries. Since 2007, Innova has existed within the structure of Türk Telekom Group Companies. In addition to its main offices in Istanbul, Ankara and Dubai, Innova carries out its activities in more than 13 offices all across Turkey.

Kiosk & Payflex Innova

Exporting specially-equipped kiosks to many countries beyond the borders of Turkey, Kiosk Innova is also one of the founders of "European Association for Self-Service" which works to determine and standardize the self service market in the EU, and it also keeps a chair on the board of directors of the organization. Financial transactions platform, Payflex, which can offer payment, collection and loyalty applications via a single infrastructure, proved its success in over 18 telecommunication companies and 35 financial institutions in different countries.

Most Innovative Projects of its Kind in Turkey

Thanks to the Smart Measuring Platform developed for the energy sector within 2012, Innova allows for determining illegal energy usage and provides high energy-consuming organizations such as industrial organizations with the opportunity to purchase energy at reasonable prices by managing supply and demand.

The Central Hospital Appointment System equipped with cloud computing infrastructure provided by Innova, both prevented long queues by enabling patients to easily access hospital services through appointment system and eliminated time loss by enabling efficient usage of hospital staff resources.

Solutions by Industry

Also Innova launched its "Life Awards" loyalty program based on the PayFlex loyalty solution, for Qatar National Bank (QNB), the biggest bank in the Middle East and

North Africa in 2012. With this program, bank customers gain points according to how much they use their QNB cards for shopping and their use of the bank's products and services. These points can then be spent freely through a wide range of channels.

Another Innova solution project was the PayFlex loyalty system for Saudi Telecom Company, the biggest telecommunications operator in the Middle East, which allows its customers to gain points.

Furthermore, airline passengers while waiting for their flights, can easily connect to the Internet through the kiosks developed and specially designed by Innova for Abu Dhabi Airport Company (ADAC).

Awards

According to 2012 results of Deloitte Technology Fast50, Innova was once again named as one of the fastest-growing technology companies in Turkey. The company has been included in this prestigious list for seven consecutive years. Innova also received the Türk Telekom Technology Special Award and Big Stars third prize based on the results of Fast50 Turkey 2012 program.

In the Archibus International Users Conference 2012, Innova won 'The Best Project in Partners Award' with facility management software customized for Türk Telekom. Innova was also awarded as "The Partner Which Has Grown The Most in General Sector" by HP in 2012.

Biometric Visa Kiosks which were developed by Kiosk Innova for the Qatar Ministry of Interior won the Excellence Prize for Applying Technology at QITCOM 2012. Innova was also awarded as "Innovative Integration for MOSS Partner" by EMC Documentum.

A Turk in the World's Highest Summits! Tunç Fındık

Having obtained many global achievements in the field of mountaineering, Tunç Fındık succeeded in scaling K2, also known as "the mountain of mountains," from a route not used by any other mountaineer since 2008 thanks to support from Innova. Innova Information Solutions is the main sponsor of Tunç Fındık. He has completed one of the most important and challenging targets within the 14x8000 project in which he targets 14 mountains above 8,000 meters.

ASSISTT ASSiSTT

Playing a significant role in the growth of Turkish outsources call center market, AssisTT has contributed to the employment growth in Turkish outsources call center market at a rate of 26% by increasing the number of its employees by 2,057 people. (Source: IMI Turkey Call Center Research 2011). At the end of 2012, AssisTT had achieved 50% growth in the number of its employees compared to 2011 with a total of 9,417 employees.

AssisTT serviced 111 million calls totaling 352 million minutes thanks to the growth in services provided to its current customers as well as new customers added in 2012 such as the Turkish Ministry of Health, TUBITAK, the Turkish Ministry of Environment and Urban Planning, and the Turkish Union of Chambers and Commodity Exchanges. In 2012, production volume increased by 28% over the previous year.

In 2012, AssisTT won the Turkish Ministry of Health Central Hospital Appointment System (MHRS) third tender covering 1,600 representatives and regarded as one of the biggest projects of call center sector in Turkey. Within the scope of the service, new call center locations were put into service in Erzurum, Adıyaman, Bingöl and Bitlis provinces. In 2012, AssisTT focused on operational development activities with the intention of increasing customer satisfaction and enhancing MHRS service.

In 2012, six new location investments were made by increasing desk capacity with the intention of achieving growth plans and the capacity to be able to serve new customers. With six new locations and investments realized in Erzurum, Samsun, Adıyaman, Bingöl, Bitlis and Ordu provinces, the desk capacity of AssisTT was increased by 1,642 desks.

AssisTT, once again crowned its achievements with a number of awards. At the Contact Center World 2012 Top Ranking Performers Awards organized among EMEA countries, the company placed second in the Best Customer Services category. At the same awards organization, Home - Office assistant application of AssisTT was awarded a silver medal for "Best Call Center Design" and was awarded third prize in the category of

"Best Large Scaled Call Center." Furthermore, AssisTT was granted a bronze medal in the category of "Best Support Service" with its 11,820 Technology Support Lines application.

ARGELA ARGELA

Established in 2004, Argela delivers innovative technologies and new generation solutions for telecoms operators. A wholly-owned subsidiary of Türk Telekom, Argela is well-known for its solutions including Argela ITV, Argela Interactive Avatar, femtocell and small cell solutions, Argela ADz-on advertisement platform, IN & Applications, Network Performance Monitor and Fixed Mobile Convergence.

Argela carries out R&D with its well-experienced team and proactively develops technologies for the networks of the future. The Company transforms these technologies into new generation solutions that will sharpen the competitive edge of operators. Headquartered in Istanbul, Argela also has research labs in Ankara.

With its "Please Call Me" service launched in May 2012, Argela contributed to the solution of an important problem and one which is of top concern to mobile operators: preventing revenue loss occurred due to prepaid subscribers who cannot originate calls or cannot send SMSs due to credit being totally consumed. Considering that there are nearly one billion prepaid mobile phone users in the world, and considering that on a daily basis 20% of these subscribers cannot originate calls or cannot send SMSs due to credit being totally consumed, the benefit provided by the "Please Call Me" service can be understood easily. This service for the first time was taken into service by Claro Chile operator in Latin America.

Argela offered a structure in which all number porting processes were automated with the intention of realizing the MNP service that enables subscribers to retain their mobile phone numbers when changing from one

Türk Telekom Group Companies

mobile network operator to another within the scope of projects launched in April in cooperation with Bakcell and Azerfon, the second-largest and third-largest GSM operators in Azerbaijan, respectively. In addition, Argela sold to Bakcell the Prepaid Probe product which detects signals between prepaid networks and helps to monitor performance.

The technology and R&D Company of Türk Telekom Group, Argela exports its home made products by enriching with the experiences in Türk Telekom and TTNET. Providing infrastructures and applications such as Wiro, Wirofon, Videofon, Tivibu and more in Turkey, Argela has finalized the installation of Argela ITV product family which operates in the infrastructure of Tivibu in Omantel, the largest fixed and mobile operator of Oman. Furthermore, Argela developed Twinchat, a tailor-made 3-D avatar production and personalization application for smart phones and tablets.

Argela is active in Dubai through its 50% controlled subsidiary, IVEA Software Solutions FZLLC, and in the USA with its wholly-owned subsidiary, Argela USA, Inc. Though Argela's top priority markets are located in the Commonwealth of Independent States countries, the Middle East and North Africa, the Company also has customers in South Africa and southeast Europe.



Having joined Türk Telekom Group in 2009, SOBEE is a company developing 3D, interactive and multiplayer games. SOBEE also works on real location modeling and simulation and has made ground-breaking achievements in this area. The games developed by SOBEE reach hundreds of thousands of people in Turkey and across the world.

The global market has an economic size about USD 70 billion; this figure is projected to rise to USD 100 billion including all participants in the market. While PC box and console games market reaching USD 40 billion, the online and social games market exceeds USD 20 billion. Today the Turkish game market, including all of its sub-sectors,

has an economic size of about USD 150-200 million and has significant growth potential. In Turkey, 70% of PC users, or nearly 20 million people, prefer to play games. Accordingly, SOBEE aims to become a local company developing games and services suitable to the country's culture and social dynamics but with universal values.

As of 2012, within the scope of the cooperation that combines SOBEE's game knowledge and experience with TTNET's power to reach millions, new SOBEE games have been offered to many users on TTNET's digital game platform, Playstore.

One of SOBEE's prominent projects is Istanbul Kiyamet Vakti ("Armageddon in Istanbul"), which is a 3D multiplayer game currently online with hundreds of thousands of players and in the process of being developed further. As Turkey's first MMORPG (Massively Multiplayer Online Role Playing Game), Istanbul Kiyamet Vakti was featured in a documentary by the Discovery Channel and reached over 700,000 registered users in 2012.

Launched by SOBEE in November 2009, I CAN FOOTBALL is the world's first 11-on-11 soccer game and has reached over 1 million users in Turkey in a short span of time. Launched by SOBEE in 2011, SüperCan is the first child superhero of Turkey; the SüperCan 2 version launched in 2012.

Developed by SOBEE in 2011, the 1 Man 1 Team game offers a team manager experience, from transfer to competitor analysis, from training program to the profit and loss statement, and from stadium management to employee management. The game has been brought into use in 2012 and studies are under way for developing the game to cover other countries and languages.



Sebit's roots go back to research and development (R&D) labs established in TÜBİTAK in 1988. Building on 25 years of experience in its field, Sebit offers national and international education solutions that meet individual needs and provide social benefits. Having developed numerous education solutions since its inception, Sebit has surged to pre-eminence not only in Turkey but also internationally.

Sebit's most popular cross-border education solution, Vitamin, is an education support service accessible online. Designed with advanced visuals, Vitamin features lessons in various subjects, interactive exercises, experiments and maps, as well as tests prepared with advanced measurement/assessment methods. Vitamin is compatible with the curriculum of the Ministry of National Education, and its target audience is not only parents, students, and teachers from elementary schools and high schools but also school principals.

By the end of 2012, the website, www.vitaminegitim.com, attracted 3 million individual users and a monthly average of over 50 million page views. Vitamin Vittrin, which includes more than 60 education packages, is the first educational application store in which Vitamin members can subscribe to every kind of educational resource and application they need.

Today, Vitamin is used in six countries: Turkey, USA, Malaysia, Saudi Arabia, China and Mexico. In the near future, it will be integrated into the education systems of South American countries such as Argentina and Brazil, and of the Middle East, such as Egypt. Vitamin has a strong reputation in the US market.

Another professional development and sharing platform of Vitamin, Vitamin Öğretmen ("Teacher") Portal was developed for teachers in elementary schools and junior high schools. The portal brings together academicians and teachers via live training seminars organized through virtual interactive classes and teachers can access live broadcasts of symposia and other events with just a simple click.

Sebit develops cloud based solutions using tablet PCs in interactive education with its R&D activities. Not only does the company support the Fatih Project, one of the largest education transformation projects of the world, but it also aims to provide solutions for developing the private school market and to expand its market by utilizing these in other countries of the world.

One of the most important results of these R&D activities was the educational search engine launched at www.egitim.com address in the fourth quarter of 2012. A safe service, by which students and teachers can search contents related to education and sort the results based on various criteria such as grade level, type of content, and more, egitim.com is a first in Turkey. Furthermore, it has become a portal that will be a pioneer in the world.

Sebit adds a new dimension to education by reaching about 2 million users in Turkey and six countries in different continents with Vitamin, and about 300,000 users in over 500 schools across the USA with Adaptive Curriculum.

Prepared in Turkey in English, Adaptive Curriculum has been modified for the different curricula of various US states. The powerful math and science content of Adaptive Curriculum has been launched onto the market in Windows Stores with VBooks developed with a brand new approach. VBook can be defined as a self-creating new generation eBook application offering a customizable learning experience. Thanks to the contents developed for Windows 8, the applications can be purchased separately based on needs.

Sebit's adult training service is ProG, a personal development portal. This platform deploys remote training and Internet technologies to deliver comprehensive and certified seminars at very attractive prices to undergraduates, new graduates, young professionals and hobby enthusiasts.

Türk Telekom Tariffs, Products and Campaigns

Türk Telekom continued to create added value for its customers during 2012 with its tariffs, products and campaigns intended for individual and corporate subscribers.

Free Calls Between 7 p.m. and 7 a.m.

Launched for residential subscribers of Türk Telekom, "Free Calls between 7 p.m. and 7 a.m." (Akşam 7'den Sabah 7'ye kadar bedava görüşme) campaign became permanent in 2012 and provided increase in traffic data of local, national, GSM and international calls.



On the other hand, with TTNET's "TTNET Alo Free Calls between 7 p.m. and 7 a.m." campaign, all individual TTNET Alo customers who are the members of TTNET Alo package were able to make 3,000 minutes of free local, national and service number (444) calls each month between these hours without making additional application.

Home Advantage Tariffs



Türk Telekom customers, who made local and national calls to land line and work numbers through Ev Avantaj 100, 200, 300, 600, Özgür ("Free"), Uzun ("Long duration"), Akşam ("Evening") and Artı Türkiye ("Plus Turkey"), also enjoyed free call minutes through exclusive campaigns by Ev Avantaj in 2012.

Subscribers choosing the Ev Avantaj package enjoyed free call minutes without commitment or extra fee. New subscribers took advantage of the 20% discount off the package fee without commitment for 3 months through Mini Avantaj Sepeti ("Mini Advantage Basket") and enjoyed free call minutes.

While existing subscribers making commitments took advantage of discounts off package fees, new subscribers enjoyed 25% for Midi and 45% discounts for Maxi Advantage baskets without commitment for 3 months. Customers benefiting from these advantage baskets received a wireless home telephone as a gift while enjoying free call minutes.

Subscribers, who choose Kazanmakmak ("Win-Win"), launched by Türk Telekom for TTNET and Türk Telekom customers in 2012, together with Mini Advantage, Midi Advantage or Maxi Advantage Basket campaigns had the opportunity to win an iPad2 and 16 GB Wifi.

Happy Sundays...

Subscribers of the HATT tariff had the opportunity of 3,000 minute local calls for monthly TL 2 on Sundays with Mutlu Pazar Ek Paketi ("Happy Sunday Extra Package"). This package also included 3,000 minutes of local and national calls free between 7 p.m. and 7 a.m.



Village and Gap Advantages

With the Köy ("Village") and Gap ("Southeastern Anatolian Project") advantage tariffs, launched last year, opportunities of up to 3,000 minutes of free local calls and discounted calls for mobile phones were provided in this year. These tariffs also included 3,000 minutes of local and national free calls between 7 p.m. and 7 a.m.

Free Minutes for Avea subscribers...

All residential customers who subscribed to individual tariffs were offered 500 minutes of free calls with Avea through their Avea lines on condition that they make commitment to maintain their home phone subscription for 12 months.

Brand Collaborations

Also in 2012, Türk Telekom continued its brand collaborations which provided TL 30 service/product saving per customer in the previous year. Türk Telekom collaborated with Boyner, Avis Car Rental, BP, 444çiçek, Silk & Cashmere stores, Acıbadem Mobile Health, Jolly Tur, KuponNow, KFC, Pizza Hut, Darty, Ebebek, Çiçek Sepeti, Varan, Flo Ayakkabı and Enmoda.

With Kazanmakmak last year, TTNET and Türk Telekom subscribers had the chance of winning a prize and the

opportunity of discounted shopping in many brands in 2012. Having the opportunity of free calls with the campaigns of special days, Türk Telekom subscribers took the opportunity of purchasing the products of many brands with discounted prices.

Home Insurance Campaign

With Allianz Home Insurance campaign all residential customers were covered with Home Insurance Group Policy with Allianz Sigorta assurance. Customers participating in the campaign were able to secure their homes against fire, robbery and indoor flooding risks up to TL 5,000.



Kazanmakmak - TT & TTNET Loyalty Program

Kazanmakmak is the loyalty program of both Türk Telekom and TTNET residential customers which was launched 24 December 2011. Currently program has over 170.000 Türk Telekom and 130.000 TTNET subscriptions. Members collect points by utilizing TT and TTNET products and redeem those points on various rewards such as TT, TTNET, Avea products and services, magazine subscriptions, licenced football club apparel, jerseys and balls and gift cards by different retail stores. Members are also getting extra discounts from third party companies which Türk Telekom and TTNET already made deals with, special discounts in TT and TTNET products as well as special campaigns.

Kazanmakmak Loyalty program has lower churn rate than overall churn rate of Türk Telekom and TTNET subscribers.

Device Campaigns

Türk Telekom brand partnerships that create value for customers; the device campaigns continued in the period of 2012 to bring next-generation technologies for customers needs. In 2012, in collaboration with 14 different brands in 28 different device, 24 or 36 months, with appropriate financing options offered to customers.

Samsung, Apple, Blackberry, Asus, Acer brand campaign, as well as many tablet computer users in 2012, Microsoft introduced the Windows 8 operating system and the ACER Iconia W510 tablet PC ACER Iconia W700, technology early adopters, has been presented by Turk Telekom. Turk Telekom customers with 3G-enabled tablet also benefited from TTNET 3G mobile internet packages. In addition to the use of some of the tablet campaigns, benefiting our customers have had free Wifi TTNET.

Moreover, Turk Telekom met customers needs with a choice of branded laptops and desktop computer like Samsung, HP, Dell, Exper and Casper with appropriate financing options.

Türk Telekom customers, as well as last year, in 2012, Sec Konus dect phone campaign, showed great interest in the campaign.

Corporate Products & Services

Corporate products and services of Türk Telekom are intended for big business, public, SME, craftsmen and professionals and cover voice services as well as data and broadband services.

Advantageous Up-Sells - Work Advantage Tariffs

Türk Telekom subscribers, who benefit from work advantage tariffs, on condition that they make commitments, had the opportunity of using upper packages with a discount over their new tariffs during their commitment period.

With the amended ICTA (Information and Communication Technologies Authority) resolution related to 444 numbers, and 3 Digit Vanity Numbers, 444 calls have been included in Home and Work Advantage package minutes. İş Avantaj Her Yöne ("Work Advantage All Directions") tariff is one of the up-selling products and with this tariff free minute calls ranging from 100 to 5,000 minutes to local, national, GSM, international, first level PSTN 444 Numbers and 3 Digit Vanity Numbers were offered with package prices ranging from TL 24 to TL 101.

Türk Telekom Tariffs, Products and Campaigns

Over half of Türk Telekom subscribers who prefer Public Advantage and Work Advantage minute packages showed interest in Work Advantage All Directions tariffs. The other minute package of work advantage tariff packages which was in demand was İş Avantaj BİZ ("Work Advantage BİZ").

Türk Telekom, Avea and TTNET merged under the brand of BİZ!

In the middle of July 2012, Türk Telekom created BİZ ("WE") brand with Avea and TTNET to create Türk Telekom Group synergy and put this power into service for our customers. Thereby, the subscribers of Türk Telekom, TTNET and Avea had the opportunity to benefit from the many services.

Under the brand of BİZ, subscribers who purchased new lines from Türk Telekom Work Advantage All Directions 600 or above packages with Tek Paket ("Single Package") Campaign or change their current tariff to this package took the opportunity of purchasing one TTNET Internet Package and two Avea mobile lines against TL 42. In addition, they gained one domain address and one BuluTT email address free of charge. In this way, the target of combining communication needs of corporations in a single point and in a single package was realized.

BİZ provided an opportunity to benefit from menu tariffs for 12 months free of charge from Avea with unlimited calls with Avea subscriber companies and all-directions 300 minutes of calls for subscribers who upsell their fixed line in Türk Telekom to Work Advantage All Directions 600 Minutes or upper packages with Cepte Bedava Konuşma ("Free Call via Mobile") campaign.

Company Communication Management from A Single Center - Türk Telekom VPN

The Türk Telekom VPN data network that has been provided to corporate customers of Türk Telekom for 3 years aims to provide business continuity for companies. Türk Telekom VPN is a special network which provides access from multiple points to multiple points and enables safety and speed connection between these points. Corporate customers who began to use Türk Telekom VPN service are able to provide high speed and

safe data communication by combining their branches, which operate the Internet connection with different technologies, under a single platform.

In 2012, 301 of 425 Türk Telekom VPN projects that were carried out with 10 solution partners were finalized. Finalized and ongoing Türk Telekom VPN projects include public and corporate customers such as Ministry of Finance, Gendarmerie General Command, General Directorate of State Hydraulic Works, General Directorate of Turkish State Railways, Ministry of National Education, Bank Asya, Yapı Kredi Bankası, Akbank, Türkiye Finans Katılım Bankası, Garanti Bankası, Şekerbank.

Also Universal Hospitals Group incorporating hospitals such as German Hospital, Italian Hospital and Vatan Hospital utilized Türk Telekom VPN service. All installation, maintenance and repair services in the locations of the Group, which carries out its activities in seven provinces



with 11 hospitals, were delivered as turnkey projects. The Group both had their own safety network and had the opportunity of performing data prioritization in many different operations thanks to the infrastructure with back-up provided by VPN service of Türk Telekom.

Taking advantage of Metro Ethernet technology that enables scalable, flexible, cost-efficient and every kind of data flow between 5Mbps and 10Gbps through fiber optic cable, Türk Telekom customers were able to increase speeds under 10 Mbit and to benefit from the discounts in certain amounts by making the use of speed increase campaign as of November.

Peer-to-Peer and Safe Solutions - BuluTT

Currently in data centers of Türk Telekom located in Istanbul and Ankara there are miscellaneous products from Customer Systems Hosting to Virtualization and Peer-to-Peer Sectoral Solutions.

Companies prefer to receive cloud information technology from data centers, since this cancels out the investment expense that is required to establish their own data centers. This technology enables needed software to be used at the lowest cost with license fee per user. Türk Telekom continued to provide this technology in 2012 under the name of "BuluTT" for its corporate customers.

In addition to e-mail and web hosting services provided since 2009 with Türk Telekom's Belbil software which is offered to municipalities as municipality applications, the management of municipality services (employee/officer salaries, environment, real property tax etc.) has been facilitated. The data of municipalities receiving the service are stored in the data centers of Türk Telekom.

With the Bulutt Academy brand, the data center service that is intended for universities, while online education opportunities such as course selection and course registry, online classroom, course management and presentation of the content, assessment and evaluation and monitoring of user information, are offered, universities are able to use the applications by easily accessing Türk Telekom Data Center via Internet without the expense of any hardware or software. The can also take advantage of making monthly payments.

BuluTT Göz, which provides a service for registering security footage via the Internet into the system of Türk Telekom Data Center so that it can be watched from there, is the another solution developed by Türk Telekom in 2012.

Within 2012, important financial institutions such as Takasbank, Istanbul Stock Exchange, Türkiye Finans Kalkınma Bankası and Ministry of Health began to receive services from the data center as Türk Telekom customers within the scope of Server Hosting and Disaster Recovery Services.

In 2012, while meeting the needs of its customers with new and innovative products thanks to its technology, Türk Telekom set up the data center and cloud product infrastructures for its customers, primarily for financial institutions and the public sector for their Disaster Recovery Center needs.

Other Corporate Products and Services

Subsequent to the enforcement of Wholesale Line Rental regulation as of February 2012 and through the Wholesale Line Rental service intended for fixed line operators, these operators were able to offer the lines which were purchased wholesale from Türk Telekom with their own tariff structure to their subscribers more flexibly.

In 2012, the IPTV Infrastructure service was launched. This service provides the usage of Türk Telekom ports by ISPs for transmitting TV content to end users without the necessity of establishing an IPTV infrastructure, which is costly and difficult to manage. Through this service ISPs can rent IPTV infrastructures.

The Eczanen Burada ("Your Pharmacy is Here") service, HaTT ("Multiple Lines") campaign, Toplu SMS ("Mass SMS") services, Sanal Santral ("Virtual Exchange"), and the Teletoplantı products launched last year for Türk Telekom's corporate customers were important for creating a corporate customer base in 2012. While 1,700 pharmacies used "Your Pharmacy is Here" service, the number of monthly average calls was 700. With the HaTT campaign, in which a connection fee was not charged in certain tariffs against commitment to remain a subscriber, Türk Telekom subscribers took advantage of discounted advantage tariffs.

Furthermore, Türk Telekom provided Virtual Exchange services to Kahramanmaraş Sütçü İmam University, Bursa Technical University, Ahi Evran Universities and Konya Training and Research Hospital and Turkish Education Volunteers Foundation in 2012. Virtual Exchange services which are provided in 77 locations, enable customer makes free calls Teletoplantı service, which enables participants from multiple locations to make conference calls by calling the 4448758 access number and using their passwords obtained previously from www.teletoplanti.com website, provides a 240-participant capacity simultaneously. Through this service, an average 11,000 calls a month are received and an average 2,200 hours of teleconference a month are performed.

Türk Telekom Investments & Infrastructure Projects

Türk Telekom provides cutting-edge communication technologies to Turkey by constantly continuing its investments with the responsibility of its leading role in communication and information technologies.

Türk Telekom seeks to continuously improve, create a difference, innovate, and appropriately structure its business processes - all requirements for participants in the communications and information technologies sector.

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

As Turkey's leader in fiber network, Türk Telekom provided fiber infrastructure that enables super speed broadband to 1.9 million households reached through FTTH/FTTB (fiber-to-the-home and fiber-to-the-building) in addition to the more than 4 million households reached through FTTC (fiber-to-the-cabinet) in 2012.

FiberkenTT project

In 2012, over TL 750 million investments were made in mobile network and channels to support quality and productivity. The FiberkenTT project aims to convert all current copper access infrastructure of Türk Telekom in Turkey to fiber optic access infrastructure and to finance the project by utilizing collected copper cables in scrap copper market. In addition, it is expected to provide productivity in terms of place and air-conditioner needs in current exchange buildings after the transformation targeted with FiberkenTT and to eliminate copper cable robbery. In this context, 267 projects were launched in 12 regions in 2012.

In accordance with Türk Telekom's convergence vision, and in addition to fiber to cabinet, building and home (FTTx) applications which are carried out to shorten copper line distance and to provide higher quality service to our customers and to improve broadband capacity and quality, an xDSL network and IP/MPLS investments were also realized. Thus, many corporate customers can benefit from access services with high service quality from point to point, from a point to multiple points or from multiple points to multiple points.

168 Thousand Km Fiber Cable

Türk Telekom's fiber optic cable length for access purpose exceeded a total of 45,000 km in 2012. Furthermore, with the addition of new transmission routes, a total of over 4,000 km of fiber optic cable was installed for unbundling 3rd direction transmission routes and fiber optic route. By the end of 2012, total transmission purpose fiber optic cable length was nearly 123,000 km. The total fiber cable length reached 168,000 km.

The backbone and foreign fiber infrastructure of Türk Telekom converts the connection between customer and content points into a real highway by managing the traffic on the network with high quality and secure service both in the country and abroad. Türk Telekom gets involved in all technological developments to reflect this highway quality and provide its sustainability, and it constantly carries out activities to adopt these into its network. While Turkey's international bandwidth capacity was 33.6 Gbps in 2005, today it reaches 1.2 terabytes, a 40-fold increase.

Next Generation Networks Project

Intense and regular data transfer is being performed in the fixed line infrastructure of Türk Telekom. The aim of the Türk Telekom New Generation Network (TTNGN) is to replace TDM (time division multiplexing) named exchanges, which provide the execution of real time applications for which the security is an important criteria, with New Generation Technologies.

While a great saving is achieved from energy and maintenance expenses of Türk Telekom, transformed exchanges occupy less area thanks to this project. For the transformation of current International TDM exchanges into Next Generation Network systems, required equipment has been installed in Istanbul and Izmir Regional Centers while network integrations and tests continue.

HAES Transformation Project

Within the scope of The External Access Systems (EAS) Transformation Project, fiber to the cabinet (FTTC) and fiber to the building (FTTB) applications are carried out. The average Internet speed of 12.5 Mbps at the end of 2011 increased to 14.7 Mbps by the end of 2012. During 2012, nearly 47,000 cabinet installations were realized within the scope of EAS project.

VDSL Technology

Through VDSL technology, which provides higher speed access in addition to fiber applications and high bandwidth, population rates which can access high speed VDSL networks on shortened networks between cabinet and subscriber have been increased significantly. Through this technology the access infrastructure symmetrically (with the balance of speed in uploading and downloading transactions) provides a bandwidth up to 100 Mbps.

Türk Telekom activated nearly 1 million outdoor ports in fiber to the cabinet implementations and nearly 900,000 outdoor ports in fiber to the building implementations within the framework of VDSL transformation. This technology enables the usage of broadband services requiring much higher bandwidth such as high definition TV (HDTV) together with ADSL2+. As a result, proper infrastructure roll-out has been provided for the services requiring high bandwidth such as IPTV and TIVIBU. Activities in this regard will continue.

Fiber-to-the-Home

Subscribers have been provided with Internet access speeds of up to 1,000 Mbps by replacing all former copper cables with optic cables through fiber-to-the-home (FTTH) projects in which the broadband access completely based on fiber optic, and solutions for from point to point and from a point to multiple points were provided. By the end of 2012, 100 Mbps were provided with triple play services and launched tariffs.

Türk Telekom IP/MPLS Network

In addition to fiber implementations, over 11 million port numbers were achieved through xDSL network copper phone lines and over 7 million subscribers were enabled to benefit from broadband Internet access service.

Through Türk Telekom IP/MPLS network, which delivers rapid, high-quality and diversified services to the end-user by consolidating transmission links of different and independent networks, all xDSL network, IPTV, Next Generation Networks, FiberkenTT, a Türk Telekom corporate service Virtual Exchange, Wimax VDSL, FTTH and FTTB and Türk Telekom Intranet services are being provided.

By the end of 2012, Türk Telekom MPLS network became Turkey's largest MPLS network. The capacity of equipment within this network has been increased to 1Tbps. As a part of IP/MPLS backbone, international bandwidth capacity has been increased to 1580 Gbps by adding additional capacities in data access points installed in New York, London, Amsterdam, Frankfurt, Milan and Vienna+. In the network, which will cover projects such as IPTV, WebTV and next generation networks, optimization activities were performed to improve the infrastructure.

After these activities, the IPTV service, which became available in 31 provinces at the end of 2011, was operational in 81 city centers and some counties in 60 provinces in 2012. Also, IPv6 addresses were begun to be allocated to Türk Telekom customers receiving MetroEthernet service through IP/MPLS network.

Service Management Center Project

The Service Management Center Project is carried out for improving the experience of corporate customers. The infrastructure, which will be used for performing error, performance and fault managements from all customer services and backbone equipment independent from the network, has been finalized. Accordingly, the customer-

Türk Telekom Research & Development Activities

Aiming to improve customer satisfaction by researching and developing next generation technologies, Türk Telekom also began to develop next generation product prototypes with its SME R&D business partners in 2012.

focused and proactive management model has been created. By the end of 2012, total international capacity reached 1.58 Terabit/s and available capacity reached 1.2 Terabit/s.

Türk Telekom Geographic Information Systems Project

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

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

By the end of 2012, data of nearly 12,000 exchange fields and nearly 12 million Türk Telekom customers was transferred to a digital environment.

Analysis on Net Integration

Analysis on Net Integration seeks to perform constant analysis of the xDSL infrastructure of Türk Telekom, thus performing optimization on lines experiencing problems and solving some of the problems on these lines.

The project seeks also to inform teams remedying the problems on the lines, thus reducing operational expenses and enabling current and new value-added services to be offered efficiently and in shorter periods.

Türk Telekom R&D Activities

Türk Telekom R&D activities are performed with the vision of improving the satisfaction of Türk Telekom customers by researching and developing new generation technologies and becoming the technology leader in Turkey and the region.

During 2012, innovation was supported by collaborating with universities. Also, with the Call for Eco-Communication Project, 55 projects of 13 universities have begun to receive support. By the end of 2012, totally total of 56 projects from 15 universities were carried out.

In 2012, Türk Telekom began developing product prototypes in next generation research subjects within the scope of SME-R&D business partners. Within the scope of EU 7th Framework, one of the EU R&D programs and EUREKA program, many projects were gained and new products have been developed.

Cooperation between university and industry

Within the scope of University and Industry Research Collaborations, knowledge is conveyed from universities to Türk Telekom. In the subjects determined in line with Türk Telekom Group's strategies, semi-annually calls are made and project offers submitted by the universities are assessed.

During 2012, within the scope of research projects carried out in cooperation with the universities, R&D activities on smart living environments, which detect accidents (the elderly and disabled persons), fire, or open water sources and informs relevant persons in case of emergency, have been carried out with Environmental Life Support Project ("ÇevreselYaşamDesteğiProjesi").

Haptic Screen Project

With the Haptic Screen Project, a technology that will provide force or vibration-based haptic feedback to users on touch screens is being developed. This technology will pave the way for many applications from education to entertainment, and from online shopping to smart PC interfaces. In 2012, a patent application was made by producing a prototype with the support of Kiosk Innova.

Sketch Recognition Project

This project aims to automatically recognize geometric figures drawn manually or with a stylus on touch screens and use them in necessary places. The output of this research project is in the mobile application development phase for use in the Vitamin education software of Sebit.

Auto Accident Detection and Warning System

With this project, a system which enables timely and properly accident response by swiftly transmitting details such as accident location, situation of accident victims, intensity of accident, to emergency service units via call center, is being developed.

Smart Network Project

Through the studies performed within the scope of this project, a detailed examination has been made on current electricity transmission systems and related communication infrastructure. Also, algorithms intended for smart sensor communication for the environments with intense electromagnetic noise, have been developed. Furthermore, a mobile application that enables remote smart home electricity management was developed.

Health Trends Information Module

With this project a study has been performed on the examination of regional and demographic distribution of miscellaneous diseases and on developing related decision support systems. Decision support systems have been exhibited with the created pre-prototype software.

ALTO Project

With the ALTO project in peer-to-peer (P2P) communications (intercommunication between computer resources), ALTO server-supported P2P file sharing and P2P video transmission system protocols were developed. Also, simulations were performed on the OPNET simulation tool which is used for performing performance analysis for computer networks and applications. It has been shown that the data traffic between Internet data providers can be significantly reduced with the ALTO-supported P2P system.

Efficient Femto - Macro Cell Handover

With this project, a practical and most proper macro-femto handover decision algorithm - an important element of fixed mobile convergence - has been developed. Femto cells are small cellular base stations that are used for connecting to the mobile network via broadband connection. The handover decision algorithms within this project are designed for macro-femto and femto-femto handovers. Thus, this will provide improvement in wireless coverage area and capacities for strengthening mobile broadband speed.

R&D Centers

R&D activities of Türk Telekom are carried out in İTÜ Teknokent (Istanbul Technical University, Teknokent) and ODTÜ Teknokent (Middle East Technical University, Teknokent) and within these centers Customer Experience Center laboratories and Business Incubator were launched in 2012. Two innovation and entrepreneurship competitions were performed in cooperation with İTÜ and ODTÜ in line with the leadership in technology vision of Türk Telekom. In 2013, it is hoped that one more step will be taken within the scope of supporting young entrepreneurs by adding also Boğaziçi University.

R&D programs

Türk Telekom gained usufruct for EU 7th Framework (FP7) project (BATS and Forget-IT) and five new EUREKA projects. Successful results were also obtained from ongoing projects. In 2012, while Wi-Fi was the focus, three products were developed for using in Türk Telekom Technology and Operation groups. For protecting the studies both created in Basic R&D and University-Industry Collaborations projects within the scope of intellectual property rights, five patent applications have been made.

Türk Telekom also continues to find new sources of financing for funding R&D activities. As a result, Türk Telekom is the first Turkish company entitled to an R&D loan from the European Investment Bank (EIB). With the mentioned agreement concluded in 2012, Türk Telekom obtained a Euro 70 million loan.

Türk Telekom Human Resources

Employing 37,524 people by the year-end of 2012, Türk Telekom Group offer all employees with an opportunity of utilizing their potentials by attaching great importance to their development.

Türk Telekom endeavors to provide every kind of development opportunity and support for enabling its employees, who came from different geographies and have different backgrounds and professions, to work in a harmonious, delightful work environment by sharing a common language and the values of the company.

By the end of 2012, Türk Telekom Group employed a total of 37,524 people. Türk Telekom provides service with over 24,000 employees, 16% of whom are women and 84% of whom are men. Of total employees, 30% have bachelor's degrees and 27% are associate degree program graduates. Of total employees, 24% are aged 22 to 29 years old, 42% are aged 30 to 44 years old, and 34% are 45 years old or older.

Türk Telekom Group Personnel Information

Türk Telekom	24,183
AVEA	1,947
TTNET	566
ARGELA	153
INNOVA	684
SEBIT	246
ASSISTT	9,417
SOBEE	30
PANTEL	298
Total	37,524

Talent Management

Within 2012, all recruitment processes were transferred into SAP and made more integrated and efficient. The Talent Management system, which is built with the "Everyone is a potential" approach, seeks to enable all employees to utilize their full potential. While employee potential is assessed with the Talent Management Model, career and development projections are made in line with the talents of personnel.

24,000 Employees In 81 Provinces Together On The Same Platform

Through its Performance Management System, Türk Telekom aims to create an corporate culture displaying high performance. This requires achievement of targets, providing profitability for investors, and having competitive human resources. Considering these

factors, Türk Telekom focuses on the development of its employees at the highest level.

The Türk Telekom family's internal communication portal, İleTTişim, provides to over 24,000 employees in 81 provinces an important means of self-development as well as crucial information such as corporate data, work related resources, personal data, demand management and other information.

Türk Telekom Academy

Türk Telekom Academy conducts training and development activities in order to sharpen the Company's competitive edge in the industry, foster the development of Türk Telekom Group's intellectual capital, and transform the individual know-how of employees into corporate know-how.

Türk Telekom Academy also performs organizational development activities, international projects, and collaborations in addition to training and development programs. The Academy carries out activities under the titles of portal management, education management system and SAP management, training promotion publicity activities and education catalog management.

2012 Training and Certification Projects

In 2012, with the contributions of Innova, a Türk Telekom Group Company, new certificate programs aimed at providing successful managerial and leadership models for managers serving in the information sector were launched. These programs, organized under the names of "Leader Development in Information Sector," "Manager Development in Information Sector" and "Project Manager Development in Information Sector," seek to provide required technical knowledge and skills for enabling personnel to perform their tasks in their current positions with higher quality.

Within the scope of the Call Center Operational Development Project, by preparing competence sets intended for operations employees of AssisTT, a Türk Telekom Group Company, career planning, performance assessment, assessment center, training processes and training catalogs were prepared. Also, integrated human resources processes structuring study was performed for the company.

The DSLAM Expertise Basic Level Certificate Program that was initiated recently contributed to the professional development of access and network personnel who are in charge of the planning, installation, operation and maintenance of DSLAM systems that enable broadband services (xDSL).

In 2012, authorization was obtained for the test centers of Prometric, a certification testing provider, and Pearson Vue, which carries out activities for providing licensing, regulation, certification and academic test services.

Türk Telekom Group aimed to improve the productivity of the training and development activities performed within Türk Telekom Group through its Measurement of Return on Training Programs Project implemented in 2012. In this context, the efficiency of performed trainings is measured and necessary actions are planned for development while contributions of training and development activities to the company and company employees are assessed.

Türk Telekom Collaborations

With the intent of developing human resources, Türk Telekom continued its collaborations with many corporations and establishments in 2012.

Huawei

The Cable Transmission Systems Competence Development Certificate Program carried out with the Türk Telekom - Huawei cooperation was among the certificate programs realized in 2012. This program was organized with the intention of improving the competencies of personnel working in Network SMC/Backbone and R-SMC/Regional operations which are based on a 24/7 principle for uninterrupted operation of transmission network.

Training and Development Platform Association of Turkey (TEGEP)

In 2012, the 12 SME representatives who placed within the scope of certificate programs organized in 2011 with the support of Training and Development Platform Association of Turkey (TEGEP), began the certification program within the framework of "Leader Development Certification Program." A second organization of the competition was

organized again by Türk Telekom Academy wherein ranked SME owners will be included in 2013 trainings.

Association for Telecoms Businessmen (TÜTED)

Within the scope of collaboration with the Association for Telecoms Businessmen (TÜTED), Türk Telekom Academy continued to organize certification programs in 2012 with the intention of improving the global competitive power of Turkey's telecommunications sector.

Together with TÜTED, the "Telecommunication Technologies Certificate Program" and "Information Technologies Certificate Program," both of which are prepared in line with emerging innovations in the fields of information and technology, seek to create awareness for third and final year undergraduate students, graduates, and vocational high school students pursuing education in telecommunications.

Microsoft

Through expertise of Microsoft Silver Learning, the training business partner and authorized training center of Microsoft, Türk Telekom set up a business partnership that may provide accredited training service with Microsoft all across Turkey under the titles such as Windows, Office, Dynamics, Server Technologies and Visual Studio.

Collaboration with Universities

Also in 2012, Türk Telekom Academy continued to support training and development activities of Türk Telekom Group employees by concluding comprehensive collaboration agreements with universities. Within the scope of collaborations concluded between Bilkent University, Bahçeşehir University, Fatih University and Türk Telekom, employees continued to benefit from discounted master's degree programs. Through these collaborations, Türk Telekom Academy aims to improve the competencies of personnel, to enhance intellectual knowledge level, and to contribute to the development of the sector.

In 2012, with the collaboration concluded with Cambridge University, the BULATS (Business Language Testing Service) testing service was launched. BULATS is prepared by the ESOL Exam Center and regarded as most prestigious business language test of the world.

Investor Relations

With a market capitalization of nearly TL 24.1 billion at the end of 2012, Türk Telekom is one of the most valuable companies in Turkey.

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

In 2012, Investor Relations focused on providing timely, accurate and complete information to shareholders and all related stakeholders and responded to over 1,000 information requests via telephone and email. Within the same period, the department participated in 24 foreign and five local investor conferences and organized roadshows and met with over 420 representatives from over 370 investment enterprises. Furthermore, within the body of the Capital Markets and Investor Relations Directorship, the group conducted over 30 investor meetings and nearly 100 teleconferences. The department met with over 200 shareholders and/or analysts, and their queries were responded to personally.

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

Türk Telekom's monthly economic bulletin, first published in 2011, was also met with great interest from investors and in no time became a pioneering publication in the industry, both domestically and internationally.

Expanding Corporate Investor Base

In 2012, as a result of the intense target-driven work by the Investor Relations team, Türk Telekom made significant progress in its corporate investor base compared to previous years. By the year's end, Türk Telekom had over 220 corporate investors. The corporate investor base structure is: 43% US-based funds, 26% UK-based funds and 17% Europe-based funds. The number

of brokerage houses actively following Türk Telekom exceeded 30, which is a very high figure for a Turkish company.

Turkey's First Investor Relations Summit

Turkey's first Investor Relations Summit, organized by the Turkish Investor Relations Society (TÜYİD), and was held in December 11, 2012 with the pioneering role of Türk Telekom Investor Relations. Over 100 professionals from investor relations, brokerage houses and fund management companies attended the event which included panels about communications tools for Investor Relations, international investor relations management and effective investor targeting. Notable panelists included Onur Öz, Türk Telekom Capital Markets and Investor Relations Director. The panels were followed by a cocktail reception with a keynote speech by ISE Chairman Dr. İbrahim Turhan. TNET CEO and TÜYİD Vice President Abdullah Orkun Kaya attended the cocktail reception, where Dr. İbrahim Turhan gave a speech about latest news on Capital Markets and the planned innovations for the coming period.

Corporate Governance Ratings

Rated in 2009 by corporate governance agency SAHA, Türk Telekom is the one and only Turkish Telecommunications Company with a corporate governance rating. Featured in the Istanbul Stock Exchange's (ISE) Corporate Governance Index, Türk Telekom increased its corporate governance rating to 8.80 in 2012, from the previous year's 8.37, once again confirming its commitment to corporate governance principles. The main categories of Türk Telekom's corporate governance rating were as follows:

Main Categories & Scores Received	Weight %	Allocated Rating
Shareholders	25	8.07
Public Disclosure and Transparency	35	9.33
Stakeholders	15	9.33
Board of Directors	25	8.47
Total	100	8.80

This assessment is a clear indication that Türk Telekom largely complies with CMB's corporate governance principles and implements the required policies and practices. As a result of this assessment, Türk Telekom confirmed that it employs efficient management and internal control mechanisms, identifies and actively manages a large proportion of corporate governance risks, protects the rights of shareholders and stakeholders in a fair manner, runs premium public disclosure and transparency practices, and the company also documented that the structure and operation of the Board of Directors was built on a solid foundation.

Performance and Dividend Productivity

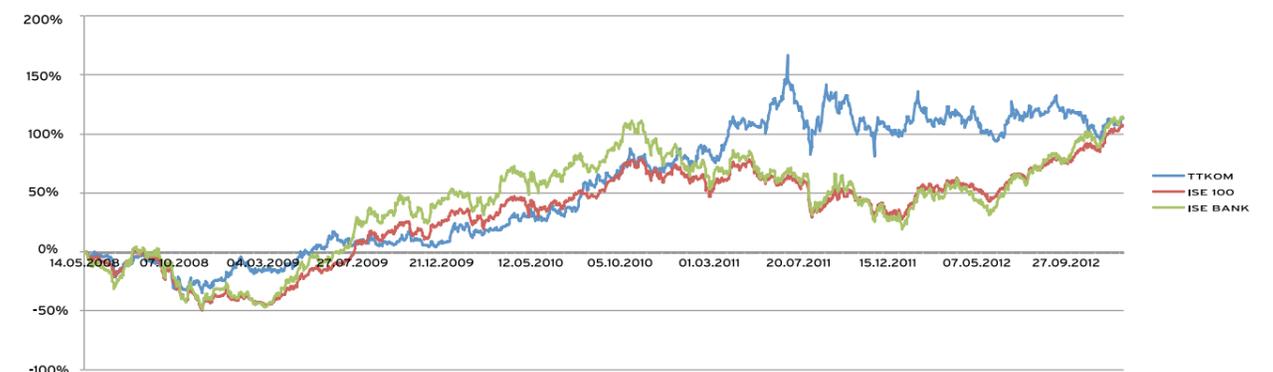
Traded on the ISE since May 2008, Türk Telekom has become one of the most valuable companies on the stock exchange as a result of its superior financial and operational performance, successful management team and active investor relations efforts. Türk Telekom's market capitalization, which was TL 24.5 billion as of 2011 year-end, was around TL 24.5 billion as of 2012 year-end.

From Türk Telekom's IPO until 2012 year-end, the ISE-100 Index gained 106% in value while TTKOM stock increased 113%. While the stock exchange followed a fluctuating course in the first quarter of 2012 due to domestic and global driven issues, the ISE-100 Index began to positively decouple from global markets. The determinant for this differentiation was the rating upgrade of Fitch in

November with the expectation that Turkey's credit rating would be upgraded to investment grade. Along with all these developments, the ISE-100 Index improved by 52% in 2012. Thanks to this positive decoupling, the share of foreign investors in free float reached 66% but closed out 2012 at 63%.

Despite a dividend distribution totaling TL 1.9 billion in May 2012, TTKOM's share price was TL 6.92 as of 2012 year-end, down from TL 7.02 as of 2011 year-end. If dividend effect was excluded, gain on TTKOM's share price realized 94% and the share of foreign investors in free float realized at the level of 70%, above the ISE average.

Featured in the ISE Dividend 25 Index, Türk Telekom has paid nearly TL 7 billion in dividends since 2008. Having broken a record in ISE history in 2011 by paying TL 2,244 million in gross cash dividends, the company in May 2012 distributed its entire 2011 distributable profit of TL 1,896 million in gross cash dividends. Türk Telekom's Board of Directors decided to propose to the first General Assembly the distribution to shareholders of the entire 2012 distributable profit of TL 2,413 million. Türk Telekom investors' dividend earnings per share in the years 2008, 2009, 2010 and 2011 were realized respectively as TL 0.43, TL 0.45, TL 0.64 and TL 0.54. In the event that the General Assembly approves this proposal, dividend earnings per share in 2012 will be TL 0.69.



Corporate Social Responsibility

Türk Telekom contributes to community life through the “Value to Turkey” social responsibility projects realized throughout the country in addition to the investments made in communication and convergence technologies.

Türk Telekom, Turkey’s leading company in communication and convergence technologies, adds value to social life with “Value To Turkey” social responsibility projects implemented throughout the country, in addition to the investments on technology, infrastructure and human resources.

In addition to giant social responsibility projects carried out nationally such as Books on the Phone, Türk Telekom Schools, Türk Telekom Internet Houses, Türk Telekom Sports Clubs and e-Billing Forests, there are also more than 100 local social responsibility activities organized by Türk Telekom provincial directorates within the scope of “Value To Turkey” project. Türk Telekom received more than 80 national and international awards during the last three years with the social responsibility projects it has implemented.

Value to Turkey

Türk Telekom, together with over 24,000 Value to Turkey volunteers, continues to generate projects which add value to community life. Value to Turkey volunteers participate in many activities from blood donation to waste medicine collection campaign, from search and rescue team to amateur sports clubs, and from voluntarily book reading in Books on the Phone Project to toy collection. Value to Turkey volunteers have donated 3,200 units of blood and collected 4,000 boxes of medicine through the campaigns carried out across Turkey.

Books on the Phone

Türk Telekom continues to offer product and service options to facilitate the lives of disabled customers with the principle of enabling the entire society to participate in life on equal terms by taking advantage of the facilities of communications technologies. Launched at the end of 2011 within this framework, Books on the Phone became further widespread in 2012. Through this project, in which Turkey’s first telephone library was brought to life, visually impaired Türk Telekom customers are offered 350 audio books all across Turkey. Within the scope of the project, the launched special lines received

over 220,000 calls while over 2 million minutes of book listening was realized.

Türk Telekom Schools

Türk Telekom has constructed educational facilities all around Turkey through Türk Telekom Schools project. The project was implemented by the Ministry of National Education, the Ministry of Transport, and Maritime Affairs and Communications and involves 76 educational buildings.

Türk Telekom began to offer scholarships all across Turkey beginning with the 2011-2012 academic year. Successful students, who must be attending a Türk Telekom School and come from low-income families, can benefit from scholarship opportunities. Within this framework, Türk Telekom provided a total of TL 211,200 in scholarships to 138 successful students in the 2011-2012 academic year.

Türk Telekom supports Türk Telekom Schools, one of the largest social responsibility projects involving education in Turkey. The company has donated to the schools nearly 6,624 pieces of sports equipment valued at TL 226,368. Encouraging students by supplying sports equipment such as track suits, sports bags, footballs, basketballs and volleyballs, Türk Telekom aims to contribute to the development of students in the field of sports.

Türk Telekom Amateur Sports Clubs

In order to help Turkish youth improve their communications skills via sport, Türk Telekom has trained more than 30,000 young athletes over 10 years with the investments it has made in sports infrastructure. Türk Telekom still supports more than 4,000 athletes in 27 branches, from basketball to fencing, and from athletics to ski and tennis in 40 cities. Among these athletes, there are hundreds of youth elected for the national team, representing Turkey internationally and becoming a source of pride with various rankings in international competitions.

Türk Telekom Search and Rescue Team

All members of Türk Telekom Search & Rescue Team (TTSRT) are Türk Telekom employees who take charge in any natural disaster, accident or other crisis to share information with other civil rescue teams. In 2011, TTSRT volunteers reached Van during the first hours of the earthquake and rescued a person from the wreckage after a 32-hour operation. The same team contributed to relief works for five days after a hotel collapsed when another earthquake struck.

Türk Telekom Sponsorships

Türk Telekom Group aims to carry out sponsorships that bring benefits to society, and the company also seeks to support the development of individuals and society within the framework of corporate culture in line with its communications strategies.

Türk Telekom sponsors many sectoral, cultural and social projects. Among these sponsorships, “CeBIT Synergy Summit,” “TRT 34th International 23rd April Children Festival” and “Speaking Book Festival” have become prominent.

CeBIT Bilişim Eurasia - CeBIT Synergy Summit

Eurasia’s number one information, technology and communications platform, CeBIT Bilişim Eurasia brings together IT companies within Eurasia as well as all vertical sector companies, public institutions and media organizations using IT in their business.

The CeBIT Synergy Summit 2012 attracted 143,728

visitors, 1,071 exhibition participants and sponsor companies, participants from 23 countries, visitors from 93 countries. A total of 4,770 summit participants took part in the event which featured Türk Telekom as the main sponsor, a distinguishing honor the company has earned three times previously.

In the summit, products from Avea, TNET and Türk Telekom were exhibited while a separate area was created with the “Biz” concept in the lounge area. Furthermore, in the hall exclusively used for Türk Telekom, presentations which drew intense interest of summit participants were organized in conjunction with collaborator companies over the course of three days under the name of “BuluTT Days.”

TRT 34th International 23rd April Children’s Festival

Türk Telekom became the main sponsor of 34th International 23rd April Children’s Festival for the fifth time. The festival took place in Konya in 2012 with the participation of children from Konya and all around the world. The garden of the Mevlana Culture Center was transformed into a game and living space and presented to visitors with a “Children’s Concept” over the course of 10 days.

Speaking Book Festival

The Fifth Speaking Book Festival organized within the scope of the “Turkey is reading” project and under the auspices of the Presidency of the Republic of Turkey took place in Izmir. The organization was enriched in 2012 with the participation of prominent names of Turkey and through activities such as concerts and exhibits encouraging people from every walk of life to read.

Sustainability Initiatives

Targeting to leave a better world for the next generations, Türk Telekom carries out all business processes in line with sustainability principles covering employees, customers and shareholders.

Türk Telekom takes a leading role in its sector with its greenhouse gas management strategy that clearly identifies sustainability targets and enables the management of risks and opportunities associated with climate change.

Within this scope, Türk Telekom transforms its office practices and business processes in line with its sustainability principles for providing a better future to the next generations. In doing so, the company strives to include all its employees and their families, its suppliers, and clients in this process.

Also carrying out environment-friendly communication activities within the scope of corporate social responsibility, Türk Telekom began its sustainability practices in the early 1990's when it installed solar energy panels for energy backup. In 2010 the company established its Sustainability Committee to create innovative and sustainable policies that will enable low-carbon technologies to become widespread as part of its effort to combat climate change. Also in 2010, it established its Energy Efficiency and Next Generation Energy Department for carrying out activities intended to promote more efficient energy usage and sustainable energy resources.

Türk Telekom has been reporting to the Carbon Disclosure Project (CDP) since 2010. The CDP is a prestigious environmental awareness project implemented with the purpose of allowing publicly listed companies to declare their greenhouse strategies and carbon emission amounts. In the evaluation made among the companies in ISE-100 reporting to CDP in 2011, Türk Telekom was recognized as one of two best reporting companies in terms of its methodology and transparency and among the five best companies in 2012. Türk Telekom is the first and only company to regularly report to CDP for the last three years in the telecommunications sector. Türk Telekom achieved over TL 86.5 million in savings through its continuing projects according to the results of Carbon Disclosure Project 2012 Report.

Environment-Friendly Products and Service Options

E-Billing

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



Environment-Friendly Phone

Türk Telekom offers dect phone options, environment-friendly in terms of electricity usage, to its customers who want to be involved in the sustainability transformation process.

Vitamin

With the online educational software developed by Sebit, a Türk Telekom Group company, the content developed for classical classroom education is offered interactively online. Vitamin online education software increases flexibility in terms of place and time and also assists in reducing the carbon emission by saving paper, travel and classroom costs.

Türk Telekom sells Vitamin, however, it also offers Vitamin for free to approximately 9 million students within the scope of CSR projects. Assuming that students using Vitamin consume no paper at all, a savings of 180 million pages per month is realized.

Corporate Practices

Eco - font

Türk Telekom is the first company in the global telecommunications sector to use Ecofont software. Ecofont software, which received the European Environmental Design Award in 2010, provides 25 percent ink saving. As the first company in Turkey to use Ecofont software, Türk Telekom ensures a saving of 22,500 kg carbon annually. Türk Telekom employees are able to print out their works in Ecofont format with Calibri, Arial and Times News Roman fonts.

Paper Recycling

Türk Telekom saves approximately 640 trees* from being cut by recycling a monthly average of 40,000 kilograms of paper with the paper recycling mechanisms used in its General Directorate buildings as well as the offices connected to the 12 regional directorates. Paper collected from the 12 regional directorates under Türk Telekom and the General Directorate buildings located in Ankara and Istanbul is delivered to companies authorized by the Ministry of Forestry and Water Affairs.

Telepresence

Providing service for four years, the Telepresence technology offers remote meeting services with "in the same room" quality. From April 2009 to the end of 2012, a total of 2,981 meetings were held through the Telepresence technology. Thanks to this technology, an estimated 23,848 flights** were eliminated. The meetings held with Telepresence do not only reduce the emissions arising from air travel, but they also reduce the carbon emission caused by vehicles used in transfers before and after flights.



Executive Seminars on the Environment and Climate

Organizing a training program on environment and climate for 1,200 executives across Turkey last year, Türk Telekom held an online training program for over 24,000 employees starting in December 2011. This training program provided information on climate change, its risks, and simple habits that can be changed in daily life to reduce these risks. These training programs aim to encourage the active participation of employees in Türk Telekom's transformation and raise awareness by providing information to participants about the reasons and results of climate change.

International Collaborations and Agreements

In 2012, Türk Telekom signed the Durban Declaration which aims to limit global temperature increases to 2°C. By joining the Durban Declaration alongside leading global companies, Türk Telekom has invited the private sector to take the necessary measures to fight climate change. In addition to signing the declaration, Türk Telekom carried out various efforts to develop this initiative further.

GeSI Membership

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

EUREKA R&D Program

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

Climate Platform

Last year, Türk Telekom joined the Climate Platform which was established to support private sector initiatives to fight climate change and start the transition to a low carbon economy. The platform was established with the cooperation of TÜSİAD and REC, and Türk Telekom is one of the 20 member companies of the platform. The platform continued its activities also in 2012. With this membership, Türk Telekom plays an active role in transition to low-carbon economy by attending the meetings discussing the future of the planet in an international arena and chaired by the Prince of Wales.

* It is composed based on <http://www.cevreciyiz.com/cevreciyiz/Karbonmetre.html> a link by Republic of Turkey Ministry of Environment and Forestry.

** Total number of flights is calculated supposedly four people in average participate in each meeting and they make turnaround flight.

EXPERIENCE SHARINGS

Türk Telekom continues to take part in the success of Turkish people and to create added value with their experiences through the social responsibility projects, sponsorships and education activities being carried out.

Books on The Phone

Boğaziçi University Technology and Education Laboratory for the Visually Impaired (GETEM)

Engin Yılmaz
GETEM Director

We are carrying out Books on the Phone project together with Türk Telekom. We believe that providing plenty of audio books within the library of GETEM to the visually impaired is important in terms of eliminating barriers in society.

Thanks to this project carried out with Türk Telekom, we took the opportunity of reaching many more visually impaired persons and informing them about the audio books. Since the launch of the project, the number of our members has increased by over 1,000. Also there has been a significant increase in the number of volunteer readers who apply to GETEM. Most of all, we assumed the leading role for raising awareness of listening audio books by visually impaired persons and similar projects.

After Book on The Phone project, we began to serve for much more visually impaired people. We maintain and improve our activities in line with their queries, opinions, needs and expectations. Furthermore, our activities such as organizing book reading seminars and providing reader trainings for volunteer readers whose numbers have increased since Books on The Phone project began, also continue.

Until this project, GETEM was an e-library providing service via internet. However, although there are 400,000 visually impaired people in our country, the number of our members was nearly 2,500. One of the main reasons for this is that the education level and computer literacy among the visually impaired people is not sufficiently high.

Türk Telekom's fixed line telephone network that reaches all across Turkey reminded us of the potential to include people who are not able to use computers and enabling them to benefit from audio books. Since the telephone, unlike the computer, can be used easily by everyone without the need of serious trainings, visually impaired people are able to access books without hindrance via Türk Telekom's wide fixed line telephone network whether or not having computers at their homes. For this reason it is important for us to work with Türk Telekom.

How to benefit from Books on The Phone?

Books on the Phone Project offers hundreds of audio books to visually impaired Türk Telekom customers free of charge through their home phones by calling 0 800 219 91 91. The visually impaired customers of Türk Telekom have free access to audio books with their passwords given to them after registering to GETEM. Books on the Phone Project will only be available through the home phones and the users have options including selecting the book of their choice, resuming the previous session in their next call or skipping back and forth between the chapters.

Corporate Solutions

Turkish Ministry of Environment and Urban Planning
General Directorate of Land Registry and Cadastre

Land Registry and Cadastre Information System (TAKBIS)

"Thanks to TAKBIS which was put into practice through the successful cooperation with Türk Telekom, the transactions made in any of our offices, are recorded in our central database and can be viewed instantly in other Turkish land registry office."

Land Registry and Cadastre Offices are the service points in which the public is in intense relation with the government. Our nearly 20 million citizens receive service through an average 7 million transactions per year. In other words, each year approximately 25% of the country's population benefits from the services of land registry and cadastre offices.

TAKBIS is one of the major e-government projects that aims to enable the carrying out of all activities via computer system by transferring land registry and cadastre records into an electronic environment throughout Turkey, therefore ensuring efficient follow up and control of both private and public real assets.

For accomplishing this objective, the integration of all Land Registry Directorates (957 units) and Cadastre Directorates (81 units) located all across Turkey into TAKBIS has been achieved through the successful activities performed together with Türk Telekom. With the goal of reducing waiting times at Land Registry Directorates, an appointment system was launched which successfully provides services through Türk Telekom's Collective SMS infrastructure.

The infrastructure of "Precision Positioning System" (Tusaga-Active Project) that will determine the real-time, 24-hour geographical position, precise to within centimeters, via 142 stations throughout Turkey, is being provided by Türk Telekom. By this means, reliable information is being provided to nearly 4,000 users who perform measurement in the field.

The installation of the 15,000-unit Türk Telekom Virtual Exchange system that will be used by all organizations of the Directorate of Land Registry and Cadastre successfully continues, and our offices are able to communicate between each other through the new system. With this technology, there is no need to have or manage exchanges in any of our offices, and we have been able to realize this relief thanks to this project carried out with Türk Telekom.

The internet service used by our organization is also provided by TTNET A.Ş., a Türk Telekom company, and a trouble-free service is being provided.

Turkish Ministry of Health

"Thanks to Türk Telekom, we receive reliable and uninterrupted service in such an important field as health."

Şimşek Mert
General Directorate of Health Information Systems

We receive Data Center rental service from Türk Telekom. All ministerial systems are hosted at the Data Center that we have rented from Türk Telekom. Operations of the Data Center such as energy and cooling are provided by Türk Telekom instead of us. Furthermore, the security products (firewall, IPS/IDS, DDos devices) of our systems are also provided by Türk Telekom. In addition, we also receive internet outputs of our systems from Türk Telekom. All of our strategic systems related to delivery of health services operate thanks to these services.

Allianz Insurance

Joint Home Insurance Project Campaign

"Through the collaboration with Türk Telekom, the leading company in the field of telecommunications in Turkey, insurance awareness in Turkish society has increased, and recognition of our company has improved."

Melda Şuayipoğlu
Corporate Insurance Director

As Allianz Sigorta A.Ş., we have been carrying out joint the Home Insurance Project Campaign with Türk Telekom since June 2012.

Within the scope of the project, an annual home insurance policy Türk Telekom customers are put under TL 5,000 and TL 10,000 insurance coverage free of charge against fire, lightning, domestic flooding, explosions, and burglary. Türk Telekom personal customers are able to benefit from the home insurance without entering into any commitments and paying any additional fees. The Campaign will continue throughout 2013.

Our objective is to enable this collaboration to contribute to our efforts for attracting new customers to the sector by creating acceleration in the insurance sector.

Hedef Alliance

"Medicines, which are one of the most significant links of the health system, are delivered to the every corner of our country in the fastest and most convenient conditions with help from the telecommunications services that we receive from Türk Telekom."

Bülent Denkdemir
Hedef Alliance General Manager

We receive data line service in different connection types and speed capacities as Metro Ethernet, Frame Relay, and G.SHDSL in addition to fixed line service from Türk Telekom. In this way, our locations, General Directorate, and all other points of our company are able to operate by integrating with each other in voice and data services within the Türk Telekom network.

Thanks to these services that we receive from Türk Telekom's more efficient operation of uninterrupted communications and information system infrastructure, which is extremely important for our sector, we ensure the execution of basic business processes such as purchasing, sales and distribution in a more efficient and auditable manner. Furthermore, through the uninterrupted contribution that we provide for the general health system, we are able to provide our society with medicines - a highly sensitive matter in terms of health.

We prefer Türk Telekom since it is a company that owns the widest service network and the best-in-field technological infrastructure in our country. A large organization having critical sectoral missions such as Hedef Alliance to receive infrastructure and service expectations from a company that offers well-established and rooted services such as Türk Telekom also indicates our approach to our technological investments.

Experience Sharings

Akkök Group

"By the nature of our business we provide a 24-hour, year-round communications platform to our users and customers. Reliable and efficient operation of this structure is vital for us, and Türk Telekom is able to provide the business continuity that we require through their secure, high-speed and uninterrupted communications and technological investments."

Dr. Reha Çetin
Aktek Information Communication General Manager / Akkök Group CIO

As Akkök Group and Aktek Information Communication, we are able to convey both voice and data as well as video information nationwide and internationally through smooth, high quality and uninterrupted service within the scope of the services that we receive from Türk Telekom. In addition to these services, which constitute the communications backbone of our business, we benefit from other Türk Telekom services such as Metro Ethernet, fiber, G.SDHL, BRI-PRI, advanced conference opportunities and PBX networks as well as internet, redundant internet and Türk Telekom VPN.

The services received from Türk Telekom also provide up to 25% savings in our operational costs and a significant improvement in our business productivity while ensuring uninterrupted communication. Furthermore, Türk Telekom helps us create significant added value in the formation of our own products such as "Akcloud" and "Elastic Cloud" by offering new technologies. Of course, offering all these products and services at affordable prices differentiate Türk Telekom from others. (grants privilege to Türk Telekom.)

Thanks to the services and products received from Türk Telekom, the cost advantage and emerged resource savings also provide benefit for our customers using these services. Furthermore, with the added value created, our customers are able to invest their resources into new businesses.

EMC

"Since 2008 when we began to work with Türk Telekom, number of our personnel has increased more than threefold. While showing a great performance, we achieved 100% growth within the same period. (While rising, we realized 100% growth within the same period.) Türk Telekom is also among the most important first 10 business partners within the region of EMC."

Önder Sönmez
EMC- Türk Telekom Account Team General Manager

"We cooperate with Türk Telekom for providing cloud services. We are proud to have a part in the significant contribution provided for the customers, which are carrying out activities in a wide range in information sector, thanks to the collaboration with Türk Telekom."

Mohammed Amin
EMC Eastern Europe, Africa and Middle East Region Senior Vice President

We operate as the infrastructure provider of the services provided by Türk Telekom within the scope of Data Center Services, Directorate of Technology and ADSL operation. Currently, we use Türk Telekom's network and its Istanbul-Ankara connection; we plan also to use Türk Telekom's video conferencing service soon.

While the number of our personnel was 38 in 2008 when we began working with Türk Telekom, today this number is 109. The 11-person Türk Telekom Group comprised of an Account Manager and Technical Teams has had a significant contribution in this growth. Furthermore, a 6-person Turkey document management team has been formed within the body of our company as Türk Telekom began to use Turkey's first large document management project. This has also played a key role in this employment increase.

Our cooperation with Türk Telekom also provides contribution to our society in different aspects. Thanks to the joint project presentations with Türk Telekom in the field of Press and Data Processing, we can replicate projects in the public domain. Furthermore, each year we construct or renovate a school in one of the needier regions of Turkey with a fund which includes part of the revenue we obtained from Türk Telekom. In previous years, we contributed to the construction of Ağrı Diyadin Omuzbaşı Primary School and renovation projects of Darüşşafaka Science Laboratory.

Accenture Consultancy

"We have successfully realized global projects together with Türk Telekom. With these projects, we began to serve more efficiently the telecommunication companies that carry out activities in Turkey and the surrounding region."

Toğa Ulutaş
Accenture Consultancy
Country Manager

We cooperate with Türk Telekom in Program One - CRM, SRM and aTTIP Operation, Program One - CRM, SRM and aTTIP Implementation Maintenance (BAU), Group Purchasing Transformation and ISO27001 activities.

While we improve our efficiency with our projects with Türk Telekom, we also contribute to employment. In 2012, we launched a local office in Ankara and enabled the expansion of the Accenture Development Center located in İzmir High Technology Institute.

We prefer Türk Telekom since it is the most reliable and most valuable Turkish brand and the leader in innovative technology investments and since it is enabling Turkey's digital transformation. In the light of our goal of long-term cooperation with the best customers in the Turkish and global telecommunications sector and our principle of added value-oriented operations, Türk Telekom is one of our most important customers. Accordingly, we would like to collaborate with Türk Telekom on a strategic partner basis rather than on a customer/vendor basis.

Thanks to the successful projects realized by Accenture in the telecommunications sector as well as our competency for working with best-in-class customers such as Türk Telekom, we have provided efficient contribution to those projects which have been realized for contributing to the development of Turkey - projects such as the World Economic Forum, Capital & Ekonomist CEO Club, CIO Mobility Event, Smart Energy Summit of Turkey and Forum Istanbul. Moreover, we strengthened our İzmir Development Center for providing service to global customers, and thus we reached to a new level of service for Accenture customers worldwide.

Hewlett-Packard-Hp Turkey

"The sense of change and innovation at Türk Telekom results from the development of new solutions and approaches that will be offered by our company. This also provides the experience of sustainable business capability through dynamism and changing organizations."

Nil Bağdan
HP Software Country Manager, Turkey

HP Software worked on small software projects until 2010. Since then, we have been operating within the framework of "ELA" - Corporate License Agreement. Together with Türk Telekom, we reap the fruits of our ELA cooperation through the projects completed by HP Professional Services. Through these value-added implementation projects, we import international experience of HP Software to Türk Telekom and the sector. By significantly moving forward each year along the road map that we determined together with Türk Telekom, we justify the investments of Türk Telekom in HP Software.

Türk Telekom is the leader in Turkey's telecommunications sector and the most important and large scale HP Software customer in Ankara. We can explain the reason as Türk Telekom's belief in value-added and innovative Business Technology Optimization investments. We believe that these foresighted investments of Türk Telekom will reflect both financial and brand value in the mid and long term. We also believe that HP Software will globally utilize the new experiences that will be gained in Türk Telekom.

On the other hand, we rediscovered many detailed "corporate" processes by working with a well-established and large corporation such as Türk Telekom. By working with professionals who are expert in their fields, we found a chance to develop our telecommunications sector experiences on both personal and corporate bases. In society we are regarded as the professionals who will convey these experiences and gains which will reflect credit on the careers of each of us and to our sector.

Experience Sharings / Athletes

Sema Acartürk - 20 Türk Telekom Amateur Sports Club Sakarya Athlete

"Türk Telekom believed and trusted me and launched the weight lifting branch in the club. And I continue to work ceaselessly to deserve this trust. My aim is to keep my country's flag flying high."

Sema Acartürk is an athlete who started in athletics with the javelin. Since becoming a national athlete, she now performs in weight lifting. As Sakarya Türk Telekom Amateur Sports Club's first weight lifting athlete, Sema Acartürk has succeeded in being a five-time champion for Turkey.

Sema Acartürk was born in 1993 in Sakarya. Continuing her education in Sakarya University, Sport Management Department, Sema started sports with athletics. Becoming a national athlete in athletics, Sema then decided to start weight lifting with the encouragement of her trainers and her belief that the weight lifting was more suitable for her. Noticing the discipline of Türk Telekom athletes competing in other sports activities in Sakarya, Sema believed that she also should become a Türk Telekom athlete. Meeting with the Türk Telekom Amateur Sports Club manager two years ago, Sema stated that she would like to carry on her sporting life as woman weight lifter. Leading the launch of the weight lifting branch in Sakarya, Sema became one of the first weight lifting athletes of the Türk Telekom Amateur Sports Club. As a champion many times for Turkey, Sema ranked ninth among the world's famous women weight lifters despite her injury at the World Weight Lifting Championship held in Guatemala.

Her biggest dream is to successfully represent Türk Telekom in the international arena. Her goal is to become European and World Champion and then represent Turkey in the 2016 Olympics.

Furkan Şener - 18 Türk Telekom Amateur Sports Club Sivas Athlete

"Türk Telekom supported me and thus I love sport much more."

Furkan Şener was born in 1995 in Sivas. Receiving primary and secondary education there, Furkan currently prepares for university. Dealing with Wushu sport since 2003, Furkan observed that Türk Telekom Amateur Sports Club was supporting thousands of athletes, and by following his trainer's advice he met with Türk Telekom Amateur Sports Club in 2006. Furkan achieved many successes such as ranking second in the 2010 Stars of Europe Championship, eight-time Champion of Turkey, 2012 Europe Junior's Second and 2012 World Junior's Second and World's Third.

ŞEYMA Urhan - 18 Türk Telekom Amateur Sports Club Sivas Athlete

"The most important reason to choose Türk Telekom was its attention to Wushu-Kung Fu."

Şeyma Urhan is 18 years old. She is a high school senior at Sultan Murat College. She loves Wushu-Kung Fu sport very much. Şeyma says that she chose Türk Telekom because it supports Turkish sports and athletes, cares for Wushu sport, and is one of the most important brands in Turkey. Having competed in many championships in Turkey, Şeyma achieved the following successes: 2004 Europe's Third, 2006 World's Seventh, 2008 Europe's Fifth, 2009 World's Seventeenth, 2010 Europe's Second, 2011 World's Ninth and 2012 Europe's Third. Şeyma's championship wins include 2007 and 2010 Europe Champion and, most recently, 2013 World Champion.

Experience Sharings / Students

Aycan Nur - 15 Years old Trabzon- Sürmene Student of Türk Telekom Anatolian Vocational Maritime High School

"I gained experience thanks to my school, and I have furthered my interests in vessels and shipping."

Studying at Türk Telekom Anatolian Vocational Maritime High School and being one of only five female students out of a total of 500 students, Aycan Nur is a high school sophomore. She is 15 years old and has stated that she chose Türk Telekom Anatolian Vocational Maritime High School since she liked the uniform of the school, and her dad supported her in this regard. Indicating that the school is vital for having a good occupation, Aycan says that she likes listening to music, surfing the Internet, reading books and travelling. She wants to be a graphic designer in the future.

Asena Elifnaz Yavuzylmaz - 16 Years old Trabzon- Sürmene Student of Türk Telekom Anatolian Vocational Maritime High School

"Maritime School has changed my view of people and life. I believe that my school, which has raised my dreams and improved my ambition to learn, will provide a significant contribution for my successful career in the future."

Born in Trabzon and currently living in the center of Sürmene, Asena Elifnaz Yavuzylmaz is a high school junior. Indicating that her sense of wonder had a significant impact for choosing Maritime School, Elifnaz states that she loves seaside cities and longs to visit cities with greens and blues. Stating that, "Even if our school provides the advantage of a 2-year college, my dreams are based upon university," Elifnaz says that the most important advantage of Türk Telekom Anatolian Vocational Maritime High School is measuring the skills of students and guiding them in line with their talents. Stating that she has wanted to be a pediatrician since she was little, Elifnaz says that her dreams have changed since attending the school and now she wants to become an engineer. Indicating that she likes travelling, photography, painting, listening music and dreaming very much, Elifnaz longs to travel to the UK, France, Italy, Brazil, South Korea and the US as well as to many places in Turkey.

Gamze Dilber - 16 Years old Trabzon - Sürmene Student of Türk Telekom Anatolian Vocational Maritime High School

"Maritime School has taught me to see life from the viewpoint of a mariner."

Born and raised in Trabzon, Gamze Dilber is a high school junior. Stating that, "It is a really nice feeling to attract the attention of people outside the school while walking around wearing the school uniform," Gamze says that the main reason she chose the school was its guidance and leadership on deciding on a profession. Stating that, "If I become an engineer, I would like to design a yacht for myself and have it built and then travel the world with that yacht," Gamze longs to visit Çanakkale in Turkey as well as Germany and France in Europe. Gamze says she really likes walking around, traveling, listening to music, reading books, spending time together with her friends, participating to social activities and playing baglama.

Serap Buse Kalyoncu - 16 Years old Trabzon - Sürmene Student of Türk Telekom Anatolian Vocational Maritime High School

"Girl students in a maritime school astonish people, but I believe that my school will help me very much in the field of engineering, which is my target occupation."

Living in Sürmene, Trabzon, Serap Buse Kalyoncu is a junior in high school. She says that she chose this school since there were people in her family in maritime occupations and she has been interested in maritime since her childhood. Desiring to become an engineer, Serap Buse believes that her school will provide significant advantage for her career in the future. Planning to live in a city where business opportunities are much higher, Serap Buse says she wants to travel to Bodrum, Izmir, and Istanbul within Turkey, as well as to other countries such as Korea, the US and Austria.

Yaren Çağla Gönül - 15 Years old Trabzon - Sürmene Student of Türk Telekom Anatolian Vocational Maritime High School

"Even the word 'maritime' has a different sense. Also our school and its uniforms excite me very much. If I become an engineer and set up my own office, I really would like to have my ship built up."

Living in Trabzon, Yaren Çağla Gönül is a sophomore in high school. Stating that she really likes the uniform of the school, Yaren says that becoming a ship engineer requires a lot of effort, and her school raises her awareness in this regard. Indicating that she had decided to become an engineer, Yaren thinks that her school is also important in terms of the university she will choose. Enjoying playing the guitar, reading books, walking around with her friends and ice skating, Yaren longs to travel throughout Turkey and to visit Paris, New York and Jamaica - even if she doesn't become a sea captain.

Data store at work



Providing business continuity to companies with VPN data network intended for corporate customers, Türk Telekom introduced 301 of 425 Türk Telekom VPN projects that have been carrying out together with 10 solution partners in 2012.

Within the scope of Server Hosting and Disaster Recovery Services, important companies such as Takasbank (ISE Settlement and Custody Bank Inc.), ISE and Ministry of Health began to get service from the data center of Türk Telekom in 2012.

Important Developments after the Accounting Period

Secondary Public Offering Process

With the Privatization Administration (OIB) announcement dated September 13, 2012, and in consequence of the decision of Türk Telekom's Tender Committee, it was decided to receive financial consultancy service, in part or in whole, on the privatization of 31.68 percent of Türk Telekom shares currently owned by Turkey's Treasury. OIB was authorized in respect thereof. With the October 17, 2012 dated announcement of the Administration, "Garanti Yatırım Menkul Kıymetler A.Ş., Barclays Bank PLC, Chadbourne & Parke Consultancy Services Attorney Partnership, Çiğdemtekin Şahbaz Attorney Partnership and Atar & Vicdan Law Firm" consortium won the consultancy tender. On December 17, 2012, a Reuters news bulletin stating that Türk Telekom had put on hold a secondary public offering (SPO) plan for a 6.68 percent stake for February was published. The Privatization Administration stated that no decision had been made related to the timing, rate and method of privatization.

On January 23, 2013, the OIB published an announcement which stated that a total of 6.68 percent stake of Türk Telekom will be privatized with the sales method and that the sales will be performed via public offering which will be finalized until December 31, 2013. The announcement included the following: in the public offering Türk Telekom Tender Commission was authorized to determine whether to sell in domestic and/or foreign capital markets along with the timing related to this according to market conditions and additional share sale option; related to the 5 percent share projected to be allocated for the employees of Türk Telekom and T.R. General Directorate of Post and Telegraph Organization and small savers in the sale of Türk Telekom shares, pursuant to 3% allocated share in 2008, this time company shares in the amount of 10 percent of 6.68 percent shall be allocated for mentioned employees and small savers by assessing within this rate.

On March 15, 2013, after the news on media regarding the SPO of Türk Telekom was suspended and public offering was not in the agenda; the OIB published an announcement which stated that the Council of Ministers

was authorized for the determination of the sales method and shares of stakes upon the opinion of the OIB and offer of the Ministry of Transport and Türk Telekom Tender Commission was authorized to determine the timing of public offering according to market conditions and activities for public offering was continuing.

The News in the Press Regarding the Sales of Copper Scrap

A material disclosure was published on March 13, 2013 related to the news in the press that the revenue of waste copper sales would be transferred to the Treasury. In this declaration it was stated that Türk Telekom regularly has been making network investments with the aim of improving customer service and increasing the speed and capacity of the broadband service and the majority of those investments have been and will be on fiber technology. It has been stated that with fiber investments, some of the copper cables in the network became idle and with the aim of optimum resource utilization, the Company sells idle copper cables and proceeds were used to finance the fiber investments. It has been emphasized that the monetary amounts of the proceeds mentioned in the media were inaccurate.

Utilization of Long Term Loan

On March 29, 2013 it was announced that under the warranty of Sweden Eximbank EKN a 150 million long-term loan agreement was signed between Türk Telekom, BNP Pribas, ING and JP Morgan with a maturity of nine years and an interest rate of LIBOR + 795 bps in order to finance the procurement of Ericsson within long-term financing strategy of Türk Telekom and its affiliates.

Resignation of Board Member

On April 1, 2013 it was announced that Türk Telekom Board Member, Jameel Abdullah A. Al Molhem, who was nominated by A Group shareholders, has resigned from his position.

Appointment to Senior Management

On April 5, Can Esen was appointed as Vice President of Legal Affairs.

Dividend Distribution Proposal

2012 DIVIDEND DISTRIBUTION TABLE OF TÜRK TELEKOMÜNİKASYON A.Ş. FOR THE YEAR ENDED 31 DECEMBER 2012 (TL) (*)

Paid/Issued Capital		3,500,000,000
Total Legal Reserves (in accordance with statutory records)		2,114,250,481
If there is information about privilege in dividend distribution in accordance with the AoA		---
DISTRIBUTION OF THE PROFIT FOR THE PERIOD		
	Acc. to CMB	Acc.toStatutoryRecords(SR)
Profit for Tax the Yaer	3,410,380,126	3,656,617,067
Tax Expenses (-) (*)	773,272,321	660,803,929
Net Profit for the Period (=)	(3-4) 2,637,107,805	2,995,813,137
Prior Years' Losses (-)	0	0
First Legal Reserves (-)	((5YK-6YK)*0,05) 0	0
NET DISTRIBUTABLE PROFİT (=)	(5-6-7) 2,637,107,805	2,995,813,137
Donations made during the year (+)	36,141,309	
Net distributable profit including donations that is the base of calculation of first legal reserves	(8+9) 2,673,249,113	
First Dividend	(10* The minimum rate determined by CMB)	
- Cash	534,649,823	
- Share		
- Total		
Dividend paid to preference shares	(Amount of the dividend for privileged shareholders in accordance with the Articles of Association) temettü tutarı)	0
Dividend paid to the Board Member		
Dividend paid to redeemed share owners		
Second Dividend	1.878.630.000	
Second Legal Reserves	(11+12+13+14+15+20)-(H4*0,05)/10	223.827.982
Status Reserves		0
Special Reserves		0
EXTRA ORDINARY RESERVES	5-(6+7+11+12+13+14+15+16+17+18)	0
Other Distributable Sources		
-Prior Years' Profits		
-Extra Ordinary Reserves		
-Other Distributable Rservees in accordance with legislation		

(*) Prepared based on 100% dividend pay-out assumption. Since, CMB has not published 2012 profit distribution guidance, 2012 dividend amount is calculated in accordance with prior year dividend distribution guidance.

Dividend Distribution Proposal

DIVIDEND PAYOUT RATIO INFORMATION DIVIDEND PER SHARE

	GROUP	TOTAL DIVIDEND AMOUNT (TL)	DIVIDEND TO BE DISTRIBUTED FOR EACH SHARE	
			AMOUNT (TL)	PERCENTAGE (%)
GROSS	A	1,327,303,902.47	0.6895085	68.95
	B	723,983,946.80	0.6895085	68.95
	C	0,00	0	0
	D	361,991,973.40	0.6895085	68.95
	TOTAL	2,413,279,822.67	0.6895085	68.95
NET	A*	1,327,303,902.47	0.6895085	68.95
	B**	615,386,354.78	0.5860822	58.6
	C***	0,00	0	0
	D****	307,693,177.39	0.5860822	58.6
	TOTAL	2,250,383,434.64	0.5860822	58.6
DIVIDEND DISTRIBUTED TO SHAREHOLDERS (TL)	THE RATIO OF DIVIDEND DISTRIBUTED TO SHAREHOLDERS TO NET DISTRIBUTABLE INCOME INCLUDING DONATIONS (%)			
2,413,279,823.00	90.27			

* Group A shares of our Company are by Oger Telecom. As Oger Telecom is a full tax payer, there will be no withholding tax in the dividend payment.

** Group B shares of our Company are owned by the Turkish Treasury and are subject to withholding tax .

*** Our Company has only 1 Group C share, which is owned by the Turkish Treasury and does not have the right to get dividend payment according to our Articles of Association.

**** Group D shares our Company constitute 15% of the total capital. Since those shares are traded in the Istanbul Stock Exchange, our Company is not able to identify shareholders as "limited liability tax payer, full liability tax payer, real person or legal person". Gross and dividend calculation for this group is made on the assumption that all of the Group D shares are subject to withholding tax.

Board Recommendations Regarding Dividend Distributions

It is resolved for the decision of our Company's 2012 Ordinary General Assembly:

1. Our Company's net profit for fiscal year 2012 according to the independently audited consolidated financial statements prepared in accordance with the "CMB Communiqué About Financial Reporting in Capital Markets Serial: XI No: 29" is TL 2,637,107,805 and according to the Turkish Commercial Code clauses and Tax Procedure Law is TL 2,995,813,137,
2. According to the CMB Communiqué Serial IV No: 27, the profit after tax amount of TL 2,637,107,805 is the base amount for dividend distribution,
3. Although it is obligatory to set aside first legal reserves until the reserve amount reaches 20% of the paid-in capital in accordance with Article 519 of the Turkish Commercial Code, as the cap for first legal reserves has been reached in the previous years, it is decided not to set aside any first legal reserves for 2012,
4. According to the consolidated financial statements, TL 2,673,249,113 shall be the base for the first dividend which is reached with adding the donations made in 2012 of TL 36,141,309 to TL 2,637,107,805, which is net distributable profit of 2012,
5. It is decided to distribute 20% of TL 2,673,249,113 (first dividend base), TL 534,649,823 as the first cash dividend, in accordance with "CMB Communiqué Serial IV No: 27." The second legal reserve of TL 223,827,982 shall be set aside and the remaining TL 1,878,630,000 shall be distributed as the second cash dividend,
 - a) The total cash dividend amount to be distributed of TL 2,413,279,823 shall be covered by current period net profits,
 - b) Accordingly, 0.6895085 Kurus (68.95085%) gross cash dividend per each share worth for 1 Kurus nominally shall be distributed to our shareholders and the total gross cash dividend distribution amount shall be TL 2,413,279,823
6. The distribution of cash dividends to our shareholders shall begin on May 29, 2013, at Merkezi Kayıt Kuruluşu A.Ş. Süzer Plaza Askerocağı Caddesi No.:15 Kat: 2 34367 Elmadağ-Şişli İstanbul.

Statement of Compliance with Corporate Governance Principles

Conclusion of Affiliation Report 01.01.2012-31.12.2012

As it is undersigned, hereby is declared that the Affiliation Report is prepared and issued in reliance upon paragraph (1) of article 199 of the Turkish Commercial Code no. 6102, to the extent of knowledge of Board of Directors of Türk Telekom, with respect to the relations of Türk Telekom with its Controlling Company/ Venture and with other affiliates of its Controlling Company/ Venture in 2012 activity year, and that each legal transaction mentioned in the Affiliation Report is balanced with an appropriate counter-performance, and that Türk Telekom has not incurred any damages or losses due to any measure taken or avoided to be taken.

Statement of Compliance with Corporate Governance Principles

Türk Telekomünikasyon A.Ş. ("Türk Telekom") pays utmost attention to implementing the Corporate Governance Principles published by the Capital Markets Board of Turkey ("CMB"). The Company updates its annual and interim activity reports and corporate website and makes them available to its shareholders to satisfy the principles. Shareholders have access to comprehensive information through the Türk Telekom investor relations website, constantly kept up-to-date, as well as the possibility of directing their queries to the Capital Markets and Investor Relations Department.

Türk Telekom successfully received an overall Corporate Governance rating of 8.80 as a result of an independent assessment by SAHA Corporate Governance and Credit Rating Company which is approved by the Capital Markets Board of Turkey. Thus, our Company's Corporate Governance Rating has increased from 8.37 to 8.80.

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

Sub Categories	Weight (%)	Degree
Shareholder	25	8.07
Public Disclosure & Transparency	35	9.33
Stakeholders	15	9.33
Board of Directors	25	8.47
Toplam	100	8.80

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

Reasons for non-complied Corporate Governance Principles

Pursuant to the Communiqué Serial: IV, No:56 of the Capital Markets Board on the Definition and the Enforcement of the Corporate Governance Principles amended by the Communiqué Serial: IV No: 57, Serial: IV No: 60 and Serial: IV No: 63 and other regulations, non-complied issues with their grounds are as follows:

That the Articles of Association entitle shareholders to appoint a special auditor, and that there is no additional provision on minority rights

Turkish Commercial Code and the CMB regulations are qualified for the appointment of special auditor and minority rights. Pursuant to the New Turkish Commercial Code 6102 which became effective in July, 2012, each shareholder's right to appoint a special auditor will be protected.

Presence of voting privileges

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

No articles in the Articles of Association regarding the procedures for invitation of the members of the board for a meeting by shareholders and stakeholders

Pursuant to the New Turkish Commercial Code 6102 which became effective in July, 2012, each board member may submit a written request to the chairman of the board to invite members of the board of directors for a meeting. There is no the other way of invitation of the board members for a meeting.

Mechanisms and models to encourage participation of the stakeholders in the management of the company are not regulated by inter-corporate rules or the Articles of Association

This issue is in the preparation phase.

The Charter of the Audit Committee has not been disclosed yet

This issue is in the preparation phase.

Disputes between stakeholders (regulatory bodies and public authorities)

Resolving disputes between stakeholders is an ongoing process.

Statement of Compliance with Corporate Governance Principles

Shareholders

Investor Relations Unit

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

Primary activities handled by the Department are as follows:

- Performing the requirements of the Capital Market Regulations, handling necessary internal and external disclosures, and monitoring related processes for ensuring compliance with Corporate Governance Principles.
- Introducing and presenting the Türk Telekom Group to domestic and foreign individual and corporate investors.
- Keeping existing and potential investors regularly informed of the Company’s activities, financial standing and strategies in a timely, accurate and complete manner.
- Responding to the information requests by analysts researching the Company, ensuring proper and optimum promotion of the Company, and guaranteeing that reports for investors are prepared in an accurate and complete fashion.

- Sharing the interim and year-end statements, investor presentations, press releases and annual and interim activity reports regarding financial and operational results with investors and the press; updating the investor relations website regularly to ensure that shareholders have access to accurate and complete information.
- Keeping investors regularly informed about Türk Telekom and Turkish Capital Markets by participating in conferences and investor meetings.
- Monitoring public disclosures made pursuant to the Company’s disclosure policy and applicable legislation.
- Announcing within the Company stock news gained by watching the composition of domestic/foreign investors along with significant changes in trade volume.

Please contact Süleyman Kısaç and Sezgi Eser for questions related to dividends, General Assembly, or transfer of shares.

The Department received over 1,000 information requests by telephone and email during 2012, all of which were answered. The Company participated in 24 international and five domestic investor conferences in the same period, during which contacts were made with over 420 representatives from over 370 investment companies. In addition, the Department held over 30 internal investor meetings and around 100 teleconferences, thereby communicating with over 200 shareholders and/or analysts and ensuring that all queries were fully responded to.

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

Full Name	Title	Phone Number	E-mail address
Onur Öz	Director		
Dr. Rasim Özcan	Advisor		
Süleyman Kısaç	Manager		
Yunus Emre Çiçek	Manager		
Özge Kelek	Manager		
Elif Küçükçobanoğlu	Team Leader	+ 90 0212 309 96 30	ir@turktelekom.com.tr
Eren Öner	Team Leader		
Şule Gençtürk	Associate		
Sezgi Eser	Assistant Associate		
Ayça Sincan	Director Assistant		

Shareholders’ Exercise of their Right to Obtain Information

Queries, other than those relating to trade secrets and undisclosed information, received from shareholders and analysts by the Capital Markets and Investor Relations Department by letter, phone, email and other means are answered in the fastest and most effective way possible upon contacting the relevant person with the highest authority on the related matter. Over 1,000 information requests received by Türk Telekom in the relevant period were answered. Furthermore, current and retrospective information and developments relating to Türk Telekom which are of interest to shareholders are regularly communicated to concerned parties via the investor relations website both in Turkish and English. Such information and developments are also regularly communicated via email to those who are registered on our database.

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

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

Company activities are periodically audited by independent auditors and statutory auditors appointed by the General Assembly upon proposal by the Board of Directors. Independent audit and financial consultancy services for 2012 activities were provided by Ernst and Young, which performs said services under the legal entity of Güney Bağımsız Denetim ve SMMM A.Ş.

There is no article related to the appointment of a special auditor in the Articles of Association. Shareholders did not request the appointment of a special auditor in 2012 and no special audit was conducted. Being a telecommunications company, activities of our Company are subject to the audit and enquiry of Information and Communications Technologies Authority, Capital Markets

Board of Turkey and Competition Authority. The results of enquiries and audits are disclosed to the public within the context of press releases issued by the related authorities and disclosure of material events regulated by the Communiqué on the Principles Regarding The Public Disclosure Of Material Events.

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

General Assembly Meetings

Article 19 of the Articles of Association reads as follows: “The General Assembly shall be the main decision body of the Company possessing every kind of authority in relation to the business of the Company provided by law.” Article 21 of the Articles of Association lists the “Material Decisions to be adopted by the General Assembly” as follows:

- the presentation of any petition for winding-up;
- any change to these Articles of Association;
- any change to the corporate name of the Company;
- any change to the accounting reference date or accounting policies except as required by law;
- any change in the share capital or the creation, allotment or issue of any shares or of any other security or the grant of any option rights or rights to subscribe to the capital or to convert any instrument into such shares or securities other than bonus shares;
- any reduction of capital or variation of the rights attaching to any class of shares or any redemption, purchase or other acquisition by the Company of any shares or other securities of that company;
- any merger with or material acquisition of any other company;
- the cessation of any major Business operation;
- any material change to the nature of its Business;
- the payment or declaration by the Company of any dividend or distribution of any other kind relating to the shares other than those in accordance with Article 30;
- decisions on any of the matters referred to in Article 12 (a) to (f) above to the extent such matters have not been approved in accordance with Article 12:

- The entry into of any contract or commitment not provided for in the Budget under which the Group

Statement of Compliance with Corporate Governance Principles

Company may incur costs (per transaction) of more than US\$50 million;

- The acquisition of any assets or property (other than in the ordinary course of business) at a total cost (per transaction) of more than US\$50 million;
- The sale or disposition of any fixed assets for a total price per transaction of more than US\$10 million;
- The borrowing of amounts by a Group Company which when aggregated with all other borrowings of that Group Company would exceed US\$150 million except for the loans obtained from banks in the ordinary course of business;
- The entry into of any agreement (other than any management agreement referred to in Article 12(g) below) between a Group Company and a Shareholder (other than the holder of the Group B Shares) or its Associates which (x) is not on arm's length terms or (y) involves the transfer of monies or goods and services of a value greater than US\$30 million;
- The appointment of any representative to act for the Company at any general assembly meeting of any Group Company (other than the Company and AVEA);
- The entry into of any management agreement between a Group Company on the one part and a Shareholder, or any Associated Companies of a Shareholder or any person that entered into a management agreement/ management consultancy agreement with the holder of the Group A Shares or any of its Associated Companies in connection with the tender process for the block sale on the other part. However, this Article shall not prevent the Company from entering into employment or consultancy agreements with individuals.

2012 General Assembly Meetings

On 25 May 2012, an Ordinary General Assembly convened without any press or stakeholder participation where 89.62% of the Company shares were represented in proxy. An Extraordinary General Assembly Meeting convened on 30 June 2012 where 87.77% of the Company shares were represented in proxy. An Extraordinary General Assembly Meeting of the shareholders representing the Treasury, A Group and Privileged C Group convened on 30 June 2012 where 100% of their shares were represented. Shareholders posed their questions and had their answers during the meeting, and all spoken issues were written to the Minutes of the Meeting. No proposal for agenda items

was given by shareholders during the meeting.

Particulars related to the 2011 Ordinary General Assembly Meeting dated 25 May 2012 were published in the Turkish Trade Registry Gazette (TTRG) no. 8081 dated 1 June 2012, and those of the Extraordinary General Assembly Meeting dated 30 June 2012 were published in the Turkish Trade Registry Gazette (TTRG) no.8108 dated 10 July 2012. In addition, the relevant Regulatory Disclosures of Material Events made by our Company were also published on the Public Disclosure Platform as of the meeting dates.

The rules governing the Company's General Assembly meetings are covered in Türk Telekomünikasyon A.Ş. Articles of Association which is publicly disclosed and posted on the investor relations website. According to Article 31 thereof, General Assembly meetings are announced at least 21 days in advance of the meeting date, excluding the dates of announcement and meeting, in the Turkish Trade Registry Gazette (TTRG) and two national newspapers in accordance with Article 444 of the Turkish Commercial Code and so as to inform the shareholders in advance of the General Assembly meetings. Information on General Assembly meetings, their agendas, invitation letters and sample proxy forms are also posted on the investor relations website.

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

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

In the General Assembly Meeting, shareholders were informed about the unchanged donation policy and donations including humanitarian aid made by Our

Company to associations and charitable institutions which totalled TL 42,030,143.85 for the year 2011. These associations and institutions operate in education, health, sports, and art.

Voting and Minority Rights

All shares of Turk Telekom can be transferred except for one privileged (golden) share of Group C. For the purpose of protecting the national interest in issues of national security and the economy, the following actions and resolutions cannot be taken without the affirmative vote of the holder of the C Group Privileged Share at either a meeting of the board of directors or the General Assembly. Otherwise, such transactions shall be deemed invalid.

- a) Any proposed amendments to the Articles of Association;
 - b) The transfer of any registered Shares in the Company which would result in a change in the management control of the Company;
 - c) The registration of any transfer of registered shares in the Company's shareholders' ledger.
- Pursuant to the Articles of Association, the holder of the C Group Privileged Share appoints one member representing the Privileged Share. The C Group Privileged Share owner cannot participate in capital increases. At the Extraordinary General Assembly Meeting dated 30 June 2012, Mehmet Habib Soluk was elected as the Board member representing the Class C golden share for a term of office of three years.

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

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

Dividend Rights

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

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

The Board proposal regarding 2011 dividend distribution was resolved by the General Assembly and the dividend distribution on non-public shares was made on 29 May 2012 while the dividend distribution for public shares was made on 31 May 2012.

As stated in the Company's Articles of Association, the dates and the manner of distribution of annual profits to the shareholders are decided by the General Assembly upon proposal by the Board of Directors and in accordance with the provisions of the Capital Market Law and applicable legislation.

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

Transfer of Shares

The provisions in the Company's Articles of Association restricting the transfer of shares are as follows: Holders of Class A shares may transfer, always subject to vetoing by the Class C golden share, all or part of their shares to a third party at any time after either the expiration of the Strategic Undertaking Period or the date of full payment of the amount payable by the holder of Class A shares for its shares in the Company, whichever occurs later. Holders of Class A shares may create a pledge or encumbrance in favor of a financial institution over its shares which will not be subject to pledge of shares in time, as guarantee for money borrowed for the acquisition of such shares or otherwise. In the event that such pledge or encumbrance is cashed by the relevant financial institution, the same may be able to transfer the Class A shareholder's shares subject to pledge and encumbrance only upon prior written consent of the

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Treasury, the consent of which will not be unreasonably withheld.

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

1. In the context of the public offering of the Company's shares, only the Treasury may have all or part of its shares quoted and sold on the stock exchange at any time without being subject to the restriction in the preceding paragraph.

2. Holders of Class B shares may additionally transfer, without being subject to the restriction set out in the first paragraph, their own shares that are equal to 5% or less of the Company's total shares at the time of the transfer in a single transaction or in a series of transactions at any time and at any price in line with the Law 406, to employees mentioned in the Law 406 and to "small savings holders."

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

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

Public Disclosure and Transparency

Company Disclosure Policy

Türk Telekom's Disclosure Policy has been formulated in line with the CMB's Communiqué on Principles Governing Disclosure of Material Events Serial: VIII, No: 54 and CMB's Corporate Governance Principles. The policy has been approved and put into effect by the Board of Directors and was submitted to the shareholders' information in the General Assembly Meeting convened on April 6, 2010. It was amended by board resolution no. 36 dated 23 June 2011 and submitted to shareholders for approval in the Extraordinary General Assembly Meeting dated November 14, 2011.

The disclosure policy is posted on the investor relations website (www.ttinvestorrelations.com) under the "Corporate Governance" heading under the Investor Relations section. The Capital Markets and Investor Relations Department is responsible for the monitoring and development of the said policies, and the names and duties of the relevant responsibility owners are listed under the heading Investor Relations Unit. These individuals cooperate closely with the Board of Directors in the fulfillment of these responsibilities. 2012 year-end results were in line with the guidance for 2012 which was disclosed to the public at the beginning of the year.

Investor Relations Web Site and Its Content:

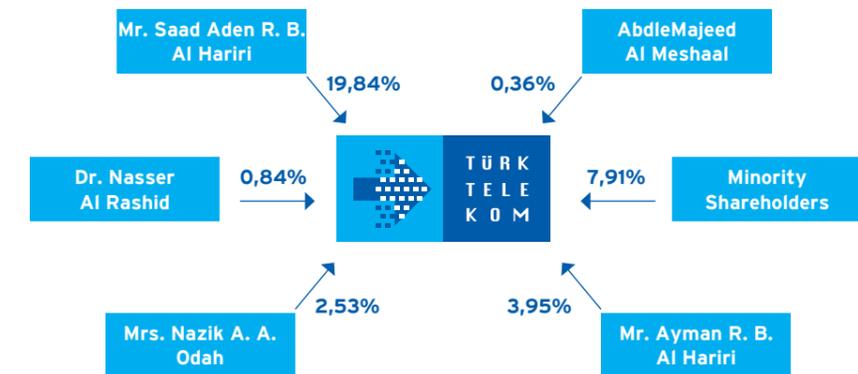
The Corporate Investor Relations website, which is accessible at www.ttinvestorrelations.com, is actively used in achieving transparency and public disclosure in accordance with Capital Markets legislation, CMB and ISE rules and regulations, and CMB's Corporate Governance Principles. A large portion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

- Detailed Information About Company Profile
- Vision, Mission and Values
- Company Organization Chart and Shareholding Structure
- Information About The Members Of The Board Of Directors and Senior Management Of The Company
- Articles Of Association
- Trade Registry Information
- Financial Statements and Activity Reports
- Press Releases
- Investor Presentations
- Investor Relations News
- Stock Performance Information
- Contact Information Of Analysts Who Have Covered The Company
- Expectation Survey Of Analysts Regarding Financial Results
- Meeting Date Invitation To General Assembly, Agenda Of The General Assembly Of Shareholders and Documents Related To The Minutes Of General Assembly Meeting Agenda
- Meeting Minutes and List Of Attendants Of The General Assembly Of Shareholders

Disclosure of Ultimate Controlling Individuals

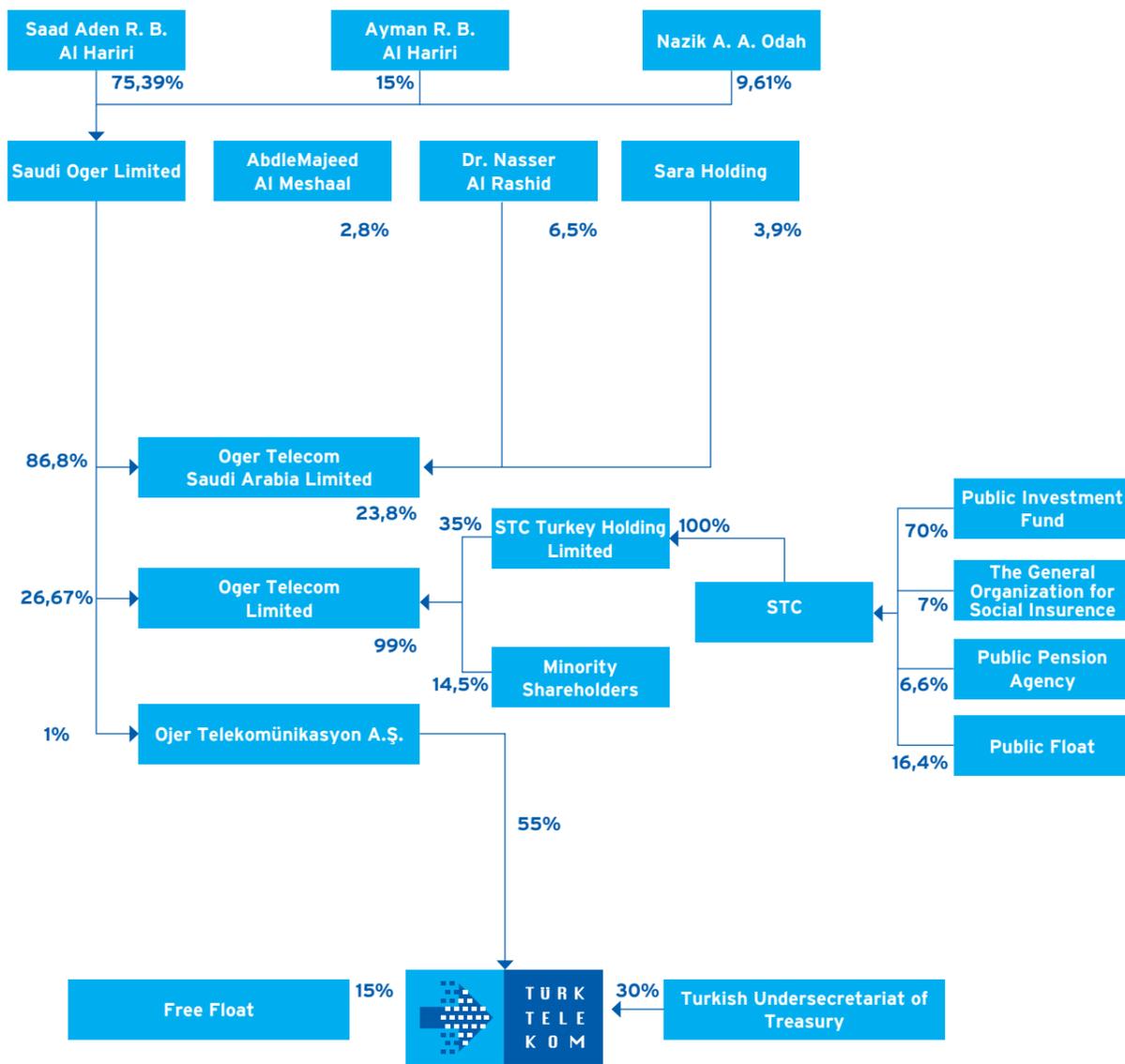
Not subject to the authorized capital system, the Company has a share capital of TL 3,500,000,000 which is fully paid-in. The distribution of the paid-in capital among the shareholders is shown below:

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



Statement of Compliance with Corporate Governance Principles

The real and legal persons directly or indirectly holding a stake in the Company's share capital are listed below:



- Sample Letter Of Attorney
- Corporate Governance Practices and Compliance Report
- Dividend Distribution Policy, History And Capital Increases
- Disclosure Policy
- Independent Auditor
- Insiders With Administrative Responsibilities
- Internal Audit And Risk Management
- Related Party Transactions
- Remuneration Policy
- Compensation Policy
- Telecom Glossary
- Demand Circular Related To The Public Offering and Prospectus
- Türk Telekom Call Center And Contact Information
- CM&IR Contact Information
- Information Related To The Social Responsibility Projects Of Türk Telekom

Activity Report

The content of the annual activity report is prepared in accordance with the New Turkish Commercial Code and with Capital Market Board regulations. There were no conflicts of interest arising between Türk Telekom and the related organizations which offer investment advice, investment analysis, and rating activity. The Board of Directors did not propose to distribute any dividends to the General Assembly. The Chief Executive Officer is not the Chairman of the Board of Directors. Türk Telekom achieved its financial guidance which was disclosed to the public. As there are no reciprocal shareholding interests in the Company's share capital, no information regarding this issue is placed in the activity report.

Stakeholders

Keeping Stakeholders Informed

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

A customer relationship management exercise which entails a transition to a customer-oriented

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

Intercorporate news items are issued by Human Resources - Internal Communication Department to employees.

Enabling stakeholders to freely communicate their concerns about any illegal or unethical practices to the Corporate Governance Committee or Audit Committee is an ongoing process.

Stakeholder Participation in Management

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

Human Resources

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

Recruitment and career planning are made in line with the principle of providing equal opportunities to employees within the context of human resources policy. Recruitment principles are defined according to objective criteria as part of body of rules for recruitment. These are aimed at generating long-term employment within the possibilities of technological developments, fiscal and economic conditions, sectoral variations, convergence of goods and services, organizational and changes in order to provide fast, high quality and economical services. Continuous improvement of the Company depends on

Statement of Compliance with Corporate Governance Principles

the capability and flexibility of employees to adapt to changing conditions of the sector quickly and efficiently. In this regard, recruitment is made locally as well as internationally. Recruitment processes are defined pursuant to relevant legislation. Relations with employees are managed by Human Resources Partners; a human resources representative has not been assigned yet.

Working Culture

Türk Telekom makes it a goal to establish an ongoing relationship with its employees and stakeholders built on respect, trust, and ethical values, and adhering to the corporate culture built and maintained on the basis of respect and sharing, as well as its principles: Customer Focused, Trustworthy, Innovative, Responsible and Dedicated. There were no complaints regarding discrimination from any employee in 2012.

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

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

Health and Safety

Türk Telekom is obliged to develop measures pursuant to The Labor Law and articles related to Occupational Safety and Health issues raised, and to fulfill these requirements in all workplaces. Türk Telekom has created accident prevention and environmental awareness among employees by developing an Occupational Health and Safety & Environmental Management System model. Türk Telekom has unionized labor. The rights of employees, employers and workers are protected in accordance with the Collective Labor Agreements signed.

Performance Management and Continuous Improvement

"In-house performance evaluation" methods have been established in order to manage and evaluate performance of employees. Responsibilities, competencies, performance of business development and contribution to company goals of employees are determined by objective criteria within the framework of quality, quantity, time and cost of the work. In this process, after the performance feedback, employee training requirements are determined and promotions and other reward mechanisms are executed within the context of objective criteria. Performance evaluation and knowledge of methods and mechanisms are made available to employees before assessment. The generated performance management module is outlined below:

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

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

Remuneration

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

Board of Directors

Structure and Formation of the Board of Directors

Name/Surname	Duty	Independent/Not	Executive/Non Executive	Committees and Duties
Mohammed Hariri	Board Member	Not Independent	Non Executive	Corporate Governance Committee (Member)
Abdullah Tivnikli	Board Member	Not Independent	Non Executive	
Hakam Kanafani	Board Member, Group CEO	Not Independent	Executive	
Rami Aslan	Board Member	Not Independent	Non Executive	Audit Committee (Observer Member)
Mazen Abou Chakra	Board Member	Not Independent	Non Executive	Audit Committee (Observer Member)
Maziad Al-Harbi	Board Member	Not Independent	Non Executive	
Mehmet Habib Soluk	Board Member	Not Independent	Non Executive	
İbrahim Şahin	Board Member	Independent	Non Executive (Member)	Audit Committee
Süleyman Karaman	Board Member	Independent	Non Executive (Member)	Audit Committee
Efkan Ala	Board Member	Independent	Non Executive (Chairman)	Audit Committee
Adnan Çelik	Board Member	Independent	Non Executive	Corporate Governance Committee (Chairman)

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Biographies of the members of Türk Telekom's Board of Directors are located in the Board of Directors Section of the annual report. Pursuant to the 10th article of the Articles of Association, the members of the Board of Directors shall hold office for a term of three years. There is no distribution of tasks between the members of Board of Directors except committee membership. The General Assembly elected Independent members to the Board of Directors during its Extra Ordinary General Assembly Meeting held on 30 June 2012. Since a nomination committee could not be formed under the board of directors, the Audit Committee performed the functions of the Nomination Committee in line with CMB principals announced on 6 February 2012. Four independent

members of Board of Directors were nominated to the Audit Committee by B Group Shareholders. A report regarding nominees' independence situation was submitted to the Board of Directors by Audit Committee. After CMB provided consent for the nominees, the nominess of independent members of board of directors were elected by General Assembly's.

There were no circumstances which jeopardized the independence of the Board of Directors in the activity period. No company rules have been internally established regarding the positions of the Board of Directors held outside the company yet.

The positions of the Board Of Directors held outside the Company are as follows:

Name/Surname Duties in TT Group over the last 5 years	Duties outside of Türk Telekom	
Mohammed Hariri Board Member, Chairman of the Board, Chairman of the Audit Committee, Chairman of the Executive Committee	Chairmanship of the Board	Avea İletişim Hizm. A.Ş., TNET A.Ş., Oger Telekomünikasyon A.Ş., Oger Telecom Ltd, CELLC, GroupMed sal (Holding), BankMed sal, SaudiMed Investment Company, GroupMed International Holding Limited
	Board Membership	Enterprise de Travaux Internationaux, Arab Bank plc., Al Mal Investment Holding, 3C Telecommunications (PTY) Limited, Oger International SA, Lanun Securities S.A., Associations des Banques du Liban.
	Vice Chairmanship of the Board	Saudi Oger Ltd and other affiliated SPVs
	Other	A Member of the Advisory Board of Deutsche Bank PWM Middle East and Africa.

Abdullah Tivnikli Board Member, Member of the Executive Committee	Chairmanship of the Board	4TEK İletişim A.Ş., Çeşme Enerji A.Ş., Eksim Elektrik Enerjisi İthalat İhracat ve Toptan Satış A.Ş., Eksim Yapı ve İnşaat A.Ş., Eksim Yatırım Holding A.Ş., Eymir Enerji A.Ş., Fortek Telekomünikasyon Hizmetleri A.Ş., İlteker Enerji Yatırım San.ve Tic. A.Ş., Karadeniz Elektrik Yatırım San. Tic. A.Ş., Kartaltepe Enerji A.Ş., Kök Makine San. ve Tic. A.Ş., Körfez Gayrimenkul Yatırım Ortaklığı A.Ş., Merzifon Enerji A.Ş., Net Ekran Televizyonculuk Ve Medya Hizmetleri A.Ş., Rewe Enerji A.Ş., Seferihisar Enerji A.Ş., Stoneks Madencilik ve Doğaltaş San.ve Tic. A.Ş., Susurluk Enerji A.Ş., Tam Enerji Yatırım San. ve Tic. A.Ş., Tokat Enerji A.Ş.
	Board Membership	Akabe İnşaat San.ve Tic. A.Ş., Avea İletişim Hizmetleri A.Ş., Kat Turizm Gayrimenkul Yatırımları Ve İşletme Ticaret A.Ş., Ottoman Gayrimenkul Yatırımları İnş. ve Tic. A.Ş., Saf Gayrimenkul Yatırım Ortaklığı A.Ş., Sinangil Gıda Pazarlama San. ve Tic. A.Ş., TT Net A.Ş., Sebit Eğitim ve Bilgi Teknolojileri A.Ş.,
	Vice Chairmanship of the Board	Argela Yazılım ve Bilişim Teknolojileri A.Ş., AssisTT Rehberlik ve Müşteriz Hiz. A.Ş., Batı Hattı Doğalgaz Tic. A.Ş., Hasanbeyli Enerji A.Ş., Innova Bilişim Çözümleri A.Ş., Kuveyt Türk Katılım Bankası A.Ş., RSH Enerji A.Ş.
Hakam Kanafani Board Member, Member of the Executive Committee, Group CEO	Chairmanship of the Board	Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret A.Ş., AssisTT Rehberlik ve Müşteri Hizmetleri A.Ş., Innova Bilişim Çözümleri A.Ş., Sebit Eğitim ve Bilgi Teknolojileri A.Ş., Pantel International Group
	Board Membership	TTNET A.Ş., Avea İletişim Hizm. A.Ş., Oger Telekomünikasyon A.Ş. and Net Ekran Televizyonculuk Ve Medya Hizmetleri A.Ş.
Rami Aslan Board Member, Observer Member of the Audit Committee	Board Membership	Oger Telecom Ltd, Cell C (Pty), 3C Telecommunications Pty Ltd, Innova Bilişim Çözümleri A.Ş., Sebit Eğitim ve Bilgi Teknolojileri A.Ş.
	Other	Oger Telecom Ltd. CEO, Senior Advisor to the Chairman of Saudi Oger Group

Statement of Compliance with Corporate Governance Principles

Mazen Abou Chakra Board Member, Observer Member of the Audit Committee	Board Membership	Oger Telecom Ltd, Cell C (Pty), 3C Telecommunications Pty Ltd, Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret A.Ş., AssisTT Rehberlik ve Müşteri Hizmetleri A.Ş., Net Ekran Televizyonculuk Ve Medya Hizmetleri A.Ş.
	Other	Oger Telecom Ltd. Chief of Legal Officer
Maziad Nasser M Alharbi Board Member	Board Membership	Saudi Arabia'daki Call Center Company and SaleCo , Chairman of the Board in Intigral Company in Dubai
	Other	Vice President of Home Business Unit in Saudi Telecom Company
Mehmet Habib Soluk Board Member, Audit Committee Member	Other	Undersecretary of Ministry of Transport, Maritime and Communications, Member of the Trustee of Türk Telekom Health And Social Welfare
İbrahim Şahin Statutory Audit Board Member, Vice Chairman of the Board, Member of the Audit Committee, Vice Chairman of the Executive Committee	Board Membership	Avea İletişim Hizmetleri A.Ş., Turkey Golf Federation
	Other	General Manager TRT, Member of the Trustee of Türk Telekom Health And Social Welfare
Süleyman Karaman Board Member	Board Membership	Net Ekran Televizyonculuk Ve Medya Hizmetleri A.Ş.
	Vice Chairmanship of the Board	TTNET A.Ş.
	Other	General Manager of Turkish State Railways, Member of the Trustee of Türk Telekom Health And Social Welfare
Efkan Ala Statutory of Audit Board Member, Board Member, Member of the Audit Committee, Chairman of the Audit Committee	Other	Undersecretary of Prime Minister
Adnan Çelik Board Member, Chairman of The Corporate Governance Committee	Other	General Manager of IPBC Uluslararası Proje Yönetimi ve Müşavirlik A.Ş.

Code of Ethics and Social Responsibility

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

Social Responsibility

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

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

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

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

Principles of Activity of the Board of Directors

Pursuant to the Articles of Association, the Board of Directors shall meet at least four times a year or shall meet whenever the Company's business so requires. The activities of the Board of Directors are run by Board Secretariat. At least 10 Business Days before a meeting, a notice of the time of meeting and the agenda which is accompanied by any relevant papers are sent to the Board of Directors. Meeting notices are sent to the members of the Board of Directors via e-mail. The agenda of the meeting is set via e-mail according to the

proposals of members of the Board of Directors, CEO, VPs and executive members of departments. The agenda is finalized by receiving the consent of the Chairman of the Board. Five Meetings of the Board of Directors were held in fiscal 2012. The overall attendance rate of board meetings in 2012 was 95 percent.

Pursuant to the 12th article of the Articles of Association, questions arising at a meeting are passed by a simple majority of the votes of the Directors present at such meeting unless the resolution relates to a "Supermajority Decision Relating to the Board." Supermajority Decisions Relating to the Board are to be taken with the presence and affirmative vote of seven Directors, at least one of which shall be a Director representing the Treasury. Questions arising at the meeting of Board of Directors and issues with multiple views are recorded into minutes with the appropriate grounds of negative votes in detail. The rights of members of the Board of Directors representing C Group are explained in the section of Voting Rights and Minority Shares. In order to comply with corporate governance principles, 28 resolutions were taken for related party transactions. No negative votes on these resolutions were recorded.

Numbers, Structures and Independence of Committees within the Board of Directors

The membership structure of the Audit Committee was changed with the Board Resolution dated 17 October 2012. Efkan Ala was appointed as non-executive chairman of the Audit Committee. İbrahim Şahin and Süleyman Karaman were appointed as non-executive members of the Audit Committee. Non-executive board members Rami Aslan, Mazen Abou Chakra and Ameen Fahad A Alshiddi were appointed as observer members of the Audit Committee. Non-executive board member Jameel Abdullah A Al Molhem was appointed as board member and observer member of the Audit Committee replacing Ameen Fahad A Alshiddi who resigned from his position as of 11 December 2012.

The Corporate Governance Committee was established with the Board Resolution dated 17 October 2012. Adnan Çelik was appointed as non-executive chairman of the Corporate Governance Committee. Mohammed Hariri and Ghassan Hasbani were appointed as non-executive members of the Corporate Governance Committee.

Statement of Compliance with Corporate Governance Principles

Non-executive board member Jameel Abdullah A Al Molhem was appointed to the membership of Corporate Governance Committee replacing Ghassan Hasbani who resigned from his position as of 11 December 2012. On March 24 2013 Al Molhem resigned from board and membership. of Corporate Governance Committee and observer membership of Audit Committee.

The Audit Committee shall meet four times a year. The Committee reviewed and monitored Türk Telekom Group's processes of accounting, finance and auditing as well as their processes for monitoring compliance with law and regulations and their own code of business conduct, as well as such other matters which may be delegated specifically to the Committee by the Board from time to time. Preparations regarding the audit committee charter is an ongoing process. The Corporate Governance Committee shall convene at least quarterly. Activities of the Corporate Governance Committee in 2012 were performed according to the guidelines included in its charter.

Risk Management and Internal Control Mechanism

The risk and opportunity management vision of Türk Telekom Group has been defined as "understanding, measuring and creating awareness about the risk universe of the group; maximising the value of group assets by managing risks and associated opportunities with a holistic approach; making risk and opportunity management a vital component of the corporate culture and strategic decision making process with the aim of contributing to sustainable growth and creating competitive advantage."

Within this vision, the risk universe is currently being identified and managed by the relevant business units within Turk Telekom A.S. Hence, all risk areas are closely monitored and managed. Additionally, group companies of Avea and TTNET have established their Corporate Risk Management organizations.

As clearly expressed in its vision statement, Türk Telekom Group perceives risk management not only as minimizing potential losses but also as maximizing the expected benefits of opportunities. Within this context, senior management and the Board of Türk Telekom A.S. embrace the value-added nature of the Enterprise Risk

Management (ERM) and fully support the initiative to ensure that the system works efficiently.

In 2011, Türk Telekom A.S. initiated a study to create a governance model for Enterprise Risk Management and developed a group-wide governance model for integrated ERM implementation. In this model, risks are managed by the business units. However, all the standards, policies and procedures of the ERM are set by the central risk management unit.

Thanks to the risk management processes, transparency of the Company may increase and new opportunities may be identified, by making the assessment of the financial, operational and managerial risks with the help of a systematic structure.

Following the development of the governance model, Enterprise Risk Management Directorate, reporting to Türk Telekom's CFO, who will coordinate all risk management activities at the group level, was established.

ERM directorate commenced its activities to:

- Work on establishing a strong risk management culture within the Türk Telekom Group,
- Develop methodologies for the identification and monitoring of all risks,
- Make suggestions to the related committees about constructing ERM policies and procedures, defining risk appetite, and setting key risk indicators and limits,
- Continuously monitor and report level of risks and planned risk mitigation actions,
- Support decision making by conducting various analyses,
- Ensure that business continuity plans are in place and up to date,
- Analyze risks attached to new services/products and investment decisions and review related processes with a risk-based approach.

The main risk exposures of Türk Telekom Group are strategical, financial, managerial and operational risks. Sophisticated risk measurement and management tools have begun to be used within the Company. We strongly believe that an enhanced structure of ERM practices will improve Türk Telekom Group's value by efficiently managing operational, financial, regulatory, strategic, legal and other risks.

Mission, Vision and Strategy

The mission and vision statements along with the strategy of the Company are mentioned in Strategy Section of the annual report. The Board of Directors monitors every month the performance of the Türk Telekom as far as reaching its strategical guidance. The Board of Directors' assessment of this issue is placed in the annual report.

Prohibition on Doing Business and Competing with the Company

The Company has adopted practices that are aligned with Articles 395 and 396 of the Turkish Commercial Code and Corporate Governance Principles attached to the Communiqué Serial: IV, No: 56 on the Determination and the Enforcement of the Corporate Governance Principles

At the General Assembly Meetings dated 25 May 2012 and 30 June 2012, permission was given to the controlling shareholders, the Board of Directors Members, the senior executives, their spouses and their relatives by blood and marriage up to the second degree to make transactions which may cause conflict of interest for the Company or the Company's subsidiaries and to compete in accordance with the Communiqué of the Capital Markets Board Serial: IV, No:56 on the Determination and Execution of the Corporate Governance Principles and the general assembly was informed about the transactions of this nature realized within the year; and also permission was given to the Board of Directors Members to carry out works within or outside the scope of the Company's operations on their own behalf or on behalf of others or to be a partner to companies who perform such works, and to carry out other transactions as per Article 334 and 335 of the Old Turkish Commercial Code.

Remuneration of the Members of the Board of Directors

Shareholders were informed about the "Remuneration Policy" determined for board members of the Board of Directors and Senior Executives in accordance with the Corporate Governance Principles at the Ordinary General Assembly Meeting dated 25 May 2012. The Remuneration Policy was disclosed to the public and published on the Investor Relations website within the same day.

Remuneration of the members of the Board of Directors is determined by the General Assembly in accordance with Article 408 of the New Turkish Commercial Code and Article 8 of the Company's Articles of Association. The General Assembly approved and agreed that each member of the Board of Directors shall be paid net remuneration of TL 5,500 on monthly basis as well as the premiums at the same amount of the monthly remunerations twice a year in January and July. There is no performance measurement or performance-based rewarding system in place for Board members. The Company has never lent money or extended loans to any Board member or executive, no credit has been given as a personal loan through third persons, nor have any guarantees been provided such as suretyship in their favor.

The remuneration of directors and other members of key management were as follows (thousand TL):

The remuneration of directors and other members of key management	31 December 2012
Short-term benefits	88,924
Long-term defined benefit plans	1,718
	90,642

Furthermore, the OTMSC charged to the Company a management fee amounting to TL 19.617 million and an expense fee in the amount of TL 351,000 for the year ended 31 December 2012 (in 2011, TL 14.619 million and TL 139,000, respectively), based on the contract between the OTMSC and the Company. The OTMSC's ultimate shareholder is Saudi Oger. A significant portion of the expense fee represents salaries of key management personnel. The contract was renewed on 15 April 2012 for an annual charge of US\$12 million (prior contract value was US\$8.5 million) for three years.

Statements of Independence

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

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

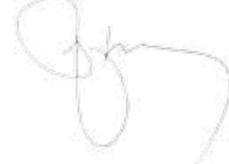
ADNAN ÇELİK



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

İBRAHİM ŞAHİN



Statements of Independence

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

SÜLEYMAN KARAMAN



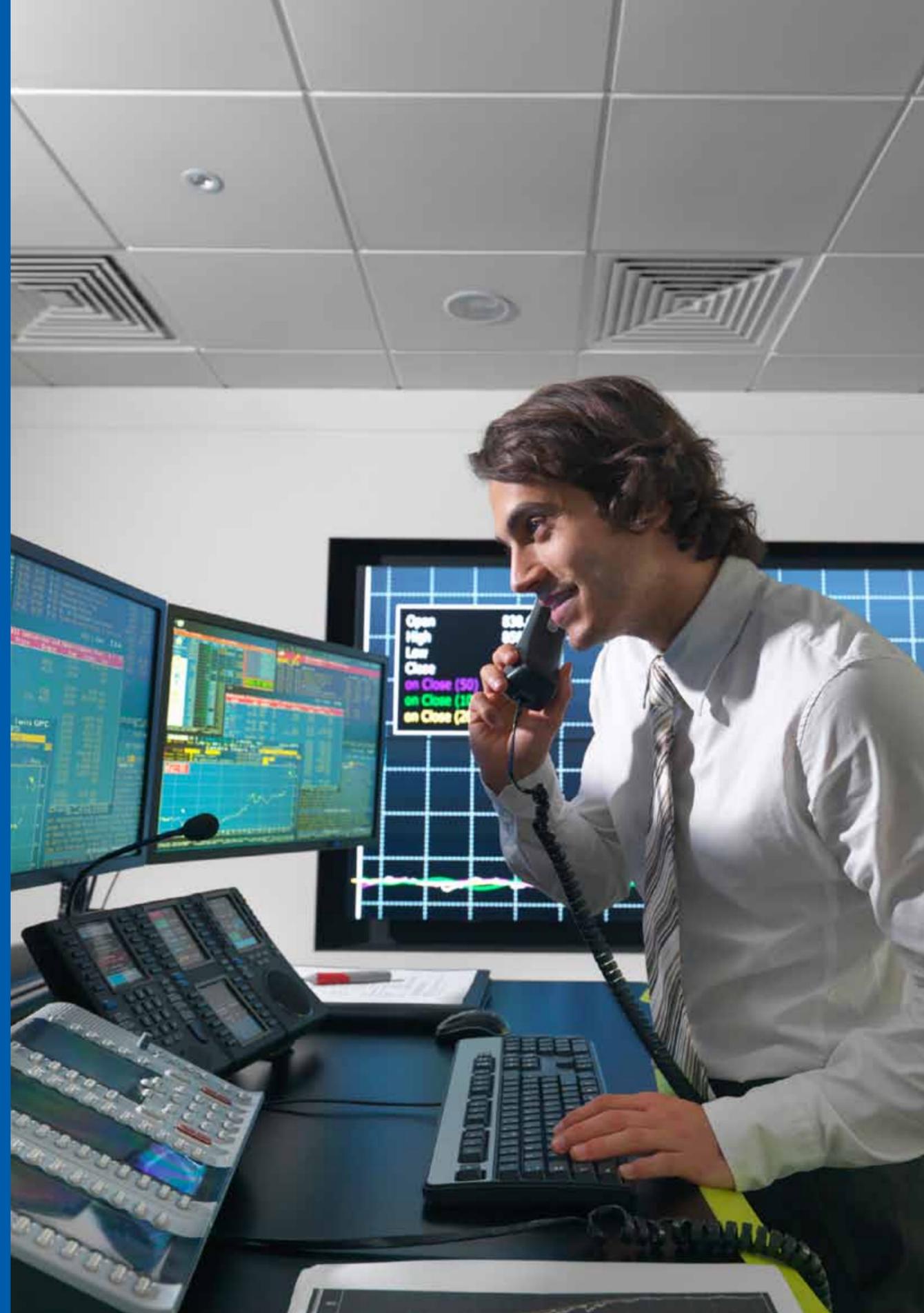
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2. I have not worked for firms, including audit, rating and consultancy firms (such as Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., an independent audit company, Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., MCKINSEY Danışmanlık Hizmetleri Limited Şirketi), undertaking whole or a certain portion of the Türk Telekomünikasyon A.Ş.'s activities and organization (under a contract such as a partnership contract, management consultancy agreement and etc.), and also have not been appointed as board member to those firms within the last five years,
3. I have not worked for or have not been a shareholder or a board member of a firm which is a significant supplier or service provider to the Türk Telekomünikasyon A.Ş. within the last five years,
4. I do not hold 1% or more shares of Türk Telekomünikasyon A.Ş. nor any privileged shares.
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7. I have the ethical standards, reputation and experience enabling them to contribute to activities of Türk Telekomünikasyon A.Ş., protect their impartiality with regard to conflict of interest that may arise among shareholders, make independent decisions by taking into account the rights of stakeholders.
8. I have time to follow the requirements of the business activities of Türk Telekomünikasyon A.Ş. and to precisely perform the tasks I have undertaken.

EFKAN ALA



Performance at work



The Telepresence Service (TTS) of Türk Telekom, offering service with a capacity of up to 240 participants simultaneously, services monthly average of 11 thousand calls totaling 2,200 hours.



The service enables the participants at different locations to make a conference call with their passwords obtained from www.teletoplanti.com website by dialing the access number, 4448758.

Statement of Responsibility

FINANCIAL TABLES APPROVED BY THE BOARD OF DIRECTORS
RESOLUTION DATED: 06/02/2013
RESOLUTION NO: 2

ANNUAL REPORT APPROVED BY THE BOARD OF DIRECTORS
RESOLUTION DATED: 12.04.2013
RESOLUTION NO: 18

OUR STATEMENT AS PER ARTICLE 9 OF SECTION 3 OF THE CAPITAL MARKETS BOARD COMMUNIQUE SERIAL: XI,
NO: 29

We hereby state that:

1. We have reviewed the Consolidated Financial Tables of our Company for the accounting period ending on 31 December 2012 and the Board of Directors Annual Report for 2012 approved by the Board of Directors Decision No. 18 of 12.04.2013
2. According to information to which we have access as a part of our duties and responsibilities within the Company, the Consolidated Financial Tables and the Annual Report do not contain any material inaccurate disclosures or any shortcomings which may prove to be misleading because of the date of disclosure.
3. According to information to which we have access as a part of our duties and responsibilities within the Company, the Consolidated Financial Tables, which have been prepared in accordance with applicable financial reporting standards, faithfully reflect the assets, liabilities, financial standing and profits and losses of the Company, and the Annual Report faithfully reflects the development and performance of the business and the consolidated financial situation of the Company along with the risks and uncertainties that the Company is facing.

Kind regards,

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

Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

Consolidated financial statements as at
31 December 2012 and independent auditors' report

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

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Independent auditors' report

To the Shareholders of Türk Telekomünikasyon Anonim Şirketi;

We have audited the accompanying consolidated balance sheet of Türk Telekomünikasyon A.Ş. (the Company) and its Subsidiaries as at 31 December 2012 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

The Company's management is responsible for the preparation and fair presentation of financial statements in accordance with financial reporting standards published by the Capital Market Board in Turkey (the CMB). This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error and/or fraud; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Independent auditors' responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly the financial position of Türk Telekomünikasyon A.Ş. and its Subsidiaries as at 31 December 2012 and their financial performance and cash flows for the year then ended in accordance with financial reporting standards published by the Capital Market Board in Turkey.

Additional paragraph for convenience translation to English:

As at 31 December 2012, the accounting principles described in Note 2.1 (defined as CMB Accounting Standards) to the accompanying 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.

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

Ethem Kutucular, SMMM

6 February 2013
İstanbul, Turkey

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated balance sheet as at 31 December 2012

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

		Current period	Prior period
		Audited	Audited
	Notes	31 December 2012	31 December 2011
Assets			
Current assets			
		4,366,561	4,007,058
Cash and cash equivalents	6	960,788	978,676
Trade receivables			
- Due from related parties	10	5,773	14,880
- Other trade receivables	8	2,120,215	1,978,584
Other receivables	12	138,323	108,009
Inventories	13	128,107	106,607
Other current assets	15	991,410	820,302
		4,344,616	4,007,058
Non-current asset held for sale			
	19	21,945	-
Non-current assets			
		12,841,289	12,167,349
Trade receivables	8	31,012	83,307
Financial investments	16	11,840	11,840
Other financial assets	17	3,226	536
Other receivables	12	28,143	1,822
Investment property	20	30,630	257,601
Property, plant and equipment	21	8,315,882	7,898,823
Intangible assets	22	4,050,250	3,539,914
Goodwill	18	48,734	53,400
Deferred tax asset	14	262,531	261,692
Other non-current assets	15	59,041	58,414
		17,207,850	16,174,407

The accompanying policies and explanatory notes on pages 131 through 214 form an integral part of these consolidated financial statements.

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated balance sheet as at 31 December 2012

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

		Current period Audited	Prior period Audited
	Notes	31 December 2012	31 December 2011
Liabilities			
Current liabilities		4,288,282	5,607,183
Financial liabilities			
- Bank borrowings	7	1,341,694	2,294,597
- Obligations under finance leases	9	7,125	7,080
Other financial liabilities	17	5,754	31,643
Trade payables			
- Due to related parties	10	7,389	5,602
- Other trade payables	8	1,250,705	1,545,513
Other payables	12	324,640	455,139
Income tax payable	32	125,405	170,875
Provisions	23	280,641	239,926
Other current liabilities	15	944,929	856,808
Non-current liabilities		6,464,420	4,797,853
Financial liabilities			
- Bank borrowings	7	4,668,350	3,015,765
- Obligations under finance leases	9	20,625	28,718
Other financial liabilities			
- Minority put option liability	11	467,561	558,251
- Derivative financial instruments	17	33,177	3,475
Trade payables	8	16,394	87,375
Other payables	12	8,956	8,823
Provisions	23	8,783	11,518
Provisions for employee termination benefits	23	749,489	562,595
Deferred tax liability	14	254,803	269,913
Other non-current liabilities	15	236,282	251,420
Equity		6,455,148	5,769,371
Equity attributable to parent			
Paid-in share capital	24	3,500,000	3,500,000
Inflation adjustments to paid in capital (-)	24	(239,752)	(239,752)
Other reserves	23, 24, 25	(1,427,923)	(1,382,596)
Currency translation reserve		31,353	40,831
Restricted reserves allocated from profits		1,825,257	1,653,106
Retained earnings		129,106	129,106
Net income for the period		2,637,107	2,068,676
Total liabilities and equity		17,207,850	16,174,407

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated income statement for year ended 31 December 2012

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

		Current Period (Audited)	Prior Period (Audited)
	Notes	1 January 2012- 31 December 2012-	1 January 2011 - 31 December 2011
Sales	5	12,706,142	11,940,555
Cost of sales (-)	5, 28	(6,102,075)	(5,279,179)
Gross profit		6,604,067	6,661,376
Marketing, sales and distribution expenses (-)	5, 28	(1,864,926)	(1,906,793)
General administrative expenses (-)	5, 28	(1,466,258)	(1,343,036)
Research and development expenses (-)	5, 28	(31,177)	(27,054)
Other operating income	5, 30	317,019	242,076
Other operating expense (-)	5, 30	(158,994)	(126,062)
Operating profit		3,399,731	3,500,507
Financial income	31	872,480	395,721
Financial expense (-)	31	(905,809)	(1,287,129)
Profit before tax		3,366,402	2,609,099
Tax expense			
- Current tax expense	32	(761,237)	(734,466)
- Deferred tax income/ (expense)	14, 32	(12,035)	24,893
Profit for the year		2,593,130	1,899,526
Attribution of period income			
Attributable to equity holders of the parent		2,637,107	2,068,676
Minority interest	24	(43,977)	(169,150)
Earnings per shares attributable to equity holders of the parent from (in full Kuruş)	24	0.7535	0.5911
Earnings per diluted shares attributable to equity holders of the parent from (in full Kuruş)	24	0.7535	0.5911

The accompanying policies and explanatory notes on pages 131 through 214 form an integral part of these consolidated financial statements.

The accompanying policies and explanatory notes on pages 131 through 214 form an integral part of these consolidated financial statements.

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated statement of comprehensive income for year ended 31 December 2012

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

	Current Period (Audited)	Prior Period (Audited)
	1 January 2012 - 31 December 2012	1 January 2011 - 31 December 2011
Profit for the year	2,593,130	1,899,526
Other comprehensive income:		
Fair value gain on hedging instruments transferred to consolidated income statement (Note 17)	13,220	41,773
Change in fair value of hedging instrument	(31,872)	(13,015)
Tax effect of hedging instrument	6,635	--
Hedge of net investment in a foreign operation (Note 17)	10,410	(46,545)
Tax effect of hedge of net investment in a foreign operation	(2,082)	9,494
Change in currency translation differences	(9,478)	30,946
Actuarial gain/(loss) (Note 23)	(109,173)	(63,541)
Tax effect of actuarial loss from employee benefits	20,822	12,293
Other comprehensive income (after tax)	(101,518)	(28,595)
Total comprehensive income	2,491,612	1,870,931
Appropriation of total comprehensive income:		
Attributable to equity holders of the parent	2,534,102	2,035,110
Minority interest	(42,490)	(164,179)

The accompanying policies and explanatory notes on pages 131 through 214 form an integral part of these consolidated financial statements.

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated statement of changes in equity for the year ended 31 December 2012

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

	Paid-in share capital	Inflation adjustment to paid in 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
Balance as at 1 January 2011	3,500,000	(239,752)	1,446,210	(582,848)	9,528	(308,634)	(925)	(86,786)	(201,884)	9,885	129,106	2,450,857	6,174,757	--	6,174,757
Net profit for the period	--	--	--	--	--	--	--	--	--	--	--	2,088,676	2,088,676	(169,150)	1,899,526
Other comprehensive income/(loss)	--	--	--	--	--	--	--	--	--	--	--	--	--	(33,566)	(28,595)
Total comprehensive income	--	--	--	--	--	--	--	--	--	--	--	--	--	2,035,110	1,870,931
Transfer to restricted reserves allocated from profits	--	--	206,896	--	--	--	--	--	--	--	--	(206,896)	--	--	--
Minority interest before classification to minority put option liability (Note 24)	--	--	--	--	--	--	--	--	--	--	--	--	--	(56,954)	(56,954)
Minority put option liability (Note 11)	--	--	--	(196,535)	--	--	--	--	--	--	--	--	--	(196,535)	24,598
Dividend paid (Note 23)	--	--	--	--	--	--	--	--	--	--	--	--	--	(2,243,961)	(2,243,961)
Balance as at 31 December 2011	3,500,000	(239,752)	1,653,106	(779,383)	9,528	(308,634)	(37,976)	(13,386)	(252,745)	40,831	129,106	2,088,676	5,769,371	--	5,769,371
Balance as at 1 January 2012	3,500,000	(239,752)	1,653,106	(779,383)	9,528	(308,634)	(37,976)	(13,386)	(252,745)	40,831	129,106	2,088,676	5,769,371	--	5,769,371
Net profit for the period	--	--	--	--	--	--	--	--	--	--	--	2,637,107	2,637,107	(43,977)	2,593,130
Other comprehensive income/(loss)	--	--	--	--	--	--	--	--	--	--	--	--	--	(103,006)	(101,518)
Total comprehensive income	--	--	--	--	--	--	--	--	--	--	--	--	--	2,534,102	2,491,612
Transfer to retained earnings	--	--	--	--	--	--	--	--	--	--	--	--	--	(172,151)	--
Transfer to restricted reserves allocated from profits	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Minority interest before classification to minority put option liability (Note 24)	--	--	--	--	--	--	--	--	--	--	--	--	--	(221,133)	(221,133)
Difference due to the change in shareholding rate in a subsidiary	--	--	--	--	--	(549,500)	--	(885)	(83)	--	--	--	--	(550,468)	550,468
Minority put option liability (Note 11)	--	--	--	598,668	--	--	--	--	--	--	--	--	--	(286,845)	311,823
Dividend paid (Note 23)	--	--	--	--	--	--	--	--	--	--	--	--	--	(1,896,525)	(1,896,525)
Balance as at 31 December 2012	3,500,000	(239,752)	1,825,257	(180,715)	9,528	(858,134)	(29,648)	(28,275)	(340,679)	31,353	129,106	2,637,107	6,455,148	--	6,455,148

The accompanying policies and explanatory notes on pages 131 through 214 form an integral part of these consolidated financial statements.

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated statement of cash flows for the year ended 31 December 2012

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

		Current Period (Audited)	Prior Period (Audited)
	Notes	1 January - 31 December 2012	1 January - 31 December 2011
Profit for the period before tax		3,366,402	2,609,099
Adjustments to reconcile profit before tax to cash provided by operating activities:			
Depreciation, amortisation expenses and impairment	29	1,696,652	1,576,530
Gain on sale of property, plant and equipment	30	(172,252)	(41,658)
IFRIC 12 adjustment		(65,802)	(16,140)
Foreign currency exchange (income) / expense, net		(170,216)	630,221
Interest income and (expense), net		130,572	18,693
Reversal of doubtful receivables	8, 12	(189,410)	(233,940)
Allowance for doubtful receivables	8, 12	203,582	230,268
Provision for employee termination benefits	23	93,330	100,760
Curtailment and settlement gain	23,30	349	--
Change in litigation provision, net	23	69,905	(31,136)
Change in unused vacation provision	23	12,151	15,405
Loss/(gain) on derivative financial instruments, net		11,820	56,153
Obsolete inventory provision		(7,818)	9,556
Other provisions		(2,735)	2,190
Operating profit before working capital changes		4,976,530	4,926,001
Net working capital changes in:			
Trade receivables and other receivables		(107,164)	(298,108)
Other current assets and inventories		(113,672)	(288,507)
Trade payables and other payables		(363,317)	241,628
Other non-current assets		(51,361)	24,066
Other current liabilities and provisions		(128,119)	175,253
Other non-current liabilities		(6,511)	4,913
Payments of employee termination benefits	23	(15,940)	(208,269)
Restricted cash		238,305	77,299
Provisions paid	23	(41,266)	(23,636)
Taxes paid		(808,789)	(696,452)
Net cash provided by operating activities		3,578,696	3,934,188
Investing activities			
Interest received		204,159	208,801
Proceeds from sale of property, plant, equipment and intangible assets		171,800	94,450
Purchase of property, plant, equipment and intangible assets	21, 22	(2,347,577)	(2,327,013)
Net cash used in investing activities		(1,971,618)	(2,023,762)
Cash flows from financing activities			
Proceeds from bank borrowings		26,517,104	15,964,755
Repayment of bank borrowings		(25,657,102)	(15,498,051)
Repayment of obligations under finance leases		(6,513)	(6,386)
Interest paid		(309,752)	(227,152)
Dividends paid	24	(1,896,525)	(2,243,961)
Derivative instrument payments		(29,365)	(79,298)
Net cash used in financing activities		(1,382,153)	(2,090,093)
Net increase/ (decrease) in cash and cash equivalents		224,925	(179,667)
Foreign exchange differences on cash and cash equivalents at the beginning of the year		(4,508)	16,635
Cash and cash equivalents at the beginning of the year	6	226,595	389,627
Cash and cash equivalents at the end of the year	6	447,012	226,595

The accompanying policies and explanatory notes on pages 131 through 214 form an integral part of these consolidated financial statements.

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

(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 Istanbul 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 December 2012 and 2011, 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.

(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 year ended 31 December 2012 (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 December 2012 and 2011 are as follows:

Name of Subsidiary	Place of incorporation and operation	Principal activity	Functional Currency	Effective ownership of the Company (%)	
				31 December 2012	31 December 2011
TT Net Anonim Şirketi ("TTNet")	Turkey	Internet Service Provider	Turkish Lira	100	99,96
Avea İletişim Hizmetleri A.Ş. ("Avea")	Turkey	GSM Operator	Turkish Lira	89,99	81,37
Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret Anonim Şirketi ("Argela")	Turkey	Telecommunications solutions	Turkish Lira	100	99,96
Innova Bilişim Çözümleri Anonim Şirketi ("Innova")	Turkey	Telecommunications solutions	Turkish Lira	100	99,99
Assist Rehberlik ve Müşteri Hizmetleri Anonim Şirketi ("AssisTT")	Turkey	Call centre and customer relations	Turkish Lira	100	99,96
Sebit Eğitim ve Bilgi Teknolojileri A.Ş. ("Sebit")	Turkey	Web based learning	Turkish Lira	100	99,96
Argela - USA, Inc.	USA	Telecommunication Solutions	U.S. Dollar	100	99,96
Sebit LLC	USA	Web Based Learning	U.S. Dollar	100	99,96
IVEA Software Solutions FZ-LLC ("IVEA")	UAE	Telecommunication Solutions	U.S. Dollar	100	99,96
SOBEE Yazılım Ticaret Limited Şirketi ("Sobee")	Turkey	Software gaming services	Turkish Lira	100	99,99
TT International Holding B.V. ("TT International")	Holland	Holding company	Euro	100	100
TT Global Services B.V. ("TT Global")	Holland	Service company	Euro	100	100
Pantel International AG ("Pantel Austria")	Austria	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Pantel International Hungary Kft ("Pantel Hungary") (*)	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 EOOD ("Pantel Bulgaria") (*)	Bulgaria	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Pantel International CZ s.r.o ("Pantel Czech Republic")	Czech Republic	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Pantel Telcom d.o.o Beograd ("Pantel Serbia") (*)	Serbia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Pantel Telekomunikacijed.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 Telekomünikasyon Sanayi ve Ticaret 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 Italia S.R.L. ("Pantel Italia") (*)	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	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	-
Türk Telekomünikasyon Euro GmbH. ("TT Euro") (*)	Germany	Mobil service marketing	Euro	100	-
Pan Telekom D.O.O. ("Pantel Croatia") (*)	Croatia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	-
Net Ekran TV ve Medya Hiz. A.Ş. ("Net Ekran")	Turkey	Television and radio broadcasting	Turkish Lira	100	-
TT Euro Belgium S.A. (*)	Belgium	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	-

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

(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 year ended 31 December 2012 (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 Aydınlıkevler, Ankara.

The numbers of personnel of the Group as at 31 December 2012 and 2011 are disclosed in Note 23.

Consolidated financial statements were approved by the Board of Directors of the Company and authorized for issue on 6 February 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 consolidated financial statements are stated below:

2.1 Basis of presentation of the consolidated financial statements

The consolidated financial statements and disclosures have been prepared in accordance with 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.

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 and prepare their statutory financial statements in Turkish Lira ("TL") in accordance with Turkish Commercial Code and Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance.

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

As at 31 December 2012 and 2011, 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.

(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 year ended 31 December 2012 (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, are disclosed in Note 4.

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 year ended 31 December 2012, the Group prepared its consolidated financial statements in accordance with the Turkish Financial Reporting Standards which is in line with IFRS adopted by the IASB.

Additional paragraph for convenience translation to English:

As at 31 December 2012, the accounting principles described in Note 2 (defined as CMB Accounting Standards) to the accompanying 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 December 2011

In the consolidated balance sheet as of 31 December 2011, 24.403 TL amounted intermediary services for collection that are the business advances given to suppliers within the scope of "intermediary services for collection" amounted to TL 24.403 is reclassified to non-current assets from current assets.

"Income on release of bad debt provision" at the amount of TL 225.460, which was included in other operating income as of 31 December 2011, has been reclassified and presented net to the bad debt expense under general administrative expenses.

As of 31 December 2011, scrap sales profit amounting to TL 35.937 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.

(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 year ended 31 December 2012 (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 consolidated financial statements as at 31 December 2012 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 2012. 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 2012 are as follows:

IAS 12 Income Taxes: Recovery of Underlying Assets (Amendment)

IAS 12 has been updated to include i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. These amendments will be applied retrospectively. This amendment had no impact on the financial position or performance of the Group.

IFRS 7 Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements (Amended)

The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitizations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. Comparative disclosures are not required. The amendment affects disclosures only and did not have any impact on the financial position or performance of the Group.

Standards issued but not yet effective and not early adopted

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

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

Amended standard is effective for annual periods beginning on or after 1 July 2012. 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 will have no impact on the financial position or performance of the Group.

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2012 (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)

Amended standard is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. With very few exceptions retrospective application is required. 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 will not have any impact on the financial position or performance of the Group.

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. Transitional requirement of this amendment is similar to IFRS 10. This amendment will not have any 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. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

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.

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Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2012 (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 7 Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements (Amended)

New disclosures would provide users of financial statements with information that is useful in (a) evaluating the effect or potential effect of netting arrangements on an entity's financial position and (b) analyzing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards. The amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The amendment affects disclosures only and will have no 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

The standard is effective for annual periods beginning on or after 1 January 2014 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

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 any impact on the financial position or performance of the Group.

IFRS 11 Joint Arrangements

The standard is effective for annual periods beginning on or after 1 January 2014 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

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. The Group does not expect that this standard will have any impact on the financial position or performance of the Group.

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Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2012 (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 12 Disclosure of Interests in Other Entities

The standard is effective for annual periods beginning on or after 1 January 2014 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements should be also adopted early.

IFRS 12 includes all of the disclosures that were previously in IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Under the new standard the Group will provide more comprehensive disclosures for interests in other entities.

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. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 and will be adopted prospectively. Early application is permitted. The new disclosures are only required for periods beginning after IFRS 13 is adopted — that is, comparative disclosures for prior periods are not required. The Group does not expect that this standard will have significant impact on the financial position or performance of the Group.

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

The Interpretation is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted. 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 will 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 guidance is effective for annual periods beginning on or after 1 January 2013. 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. The Group is in the process of assessing the impact of the new revised standard on financial performance or position of the Group.

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Notes to the consolidated financial statements for the year ended 31 December 2012 (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

The IASB has issued the Annual Improvements to IFRSs – 2009 – 2011 Cycle, which contains amendments to its standards. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS. The effective date for the amendments is for annual periods beginning on or after 1 January 2013. Earlier application is permitted in all cases, provided that fact is disclosed. This project has not yet been endorsed by the EU. The Group does not expect that this project will have significant 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.

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.

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 amendment applies for annual periods beginning on or after 1 January 2014 with earlier application permitted. This guidance has not yet been endorsed by the EU. The amendment will have no impact on the financial position or performance of the Group.

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Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)
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2. Basis of presentation financial statements (continued)

2.2 Basis of consolidation

As at 31 December 2012, 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 owns, either directly or indirectly, more than 50% of the voting rights of a subsidiary's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. 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 11 and 24).

3. Valuation basis and Significant accounting policies applied

Business combinations

From 1 January 2010 the Group has applied revised IFRS 3 "Business Combinations" in accounting for business combinations. The change in accounting policy has been applied prospectively and had no effect on business combinations completed during prior periods.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquirer. The consideration transferred is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, the liabilities incurred by the Group to former owners of the entity and the equity interests issued by the Group. When the agreement with the seller includes a clause that the consideration transferred could be adjusted for future events, the acquisition-date fair value of this contingent consideration is included in the cost of the acquisition. All transaction costs incurred by the Group have been recognized in general administrative expenses.

For each business combination, the Group elects whether it measures the non-controlling interest in the acquirer either at fair value or at the proportionate share of the acquirer's identifiable net assets.

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Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)
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3. Valuation basis and Significant accounting policies applied (continued)

Business combinations (continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquirer.

Acquisition method requires allocation of the acquisition cost to the assets acquired and liabilities assumed at their fair values on the date of acquisition. Accordingly, acquired assets and liabilities and contingent liabilities assumed are recognized at IFRS 3 fair values on the date of acquisition. Acquired company is consolidated starting from the date of acquisition.

If the fair values of the acquired identifiable assets, liabilities and contingent liabilities or cost of the acquisition are based on provisional assessment as at the balance sheet date, the Group made provisional accounting. Temporarily determined business combination accounting has to be completed within two months following the combination date and adjustment entries have to be made beginning from combination date.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the aggregate of the consideration transferred measured at fair value at the date of acquisition and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed at fair value in accordance with IFRS 3 on the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Whenever the carrying amount exceeds the recoverable amount, an impairment loss is recognized in the consolidated income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the acquisition, irrespective of whether other assets or liabilities are assigned to these units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amounts of the net assets assigned to the cash-generating unit, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

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3. Valuation basis and Significant accounting policies applied (continued)

Investment in an associate

As of 31 December 2012 and 2011, the Group accounted its 20% shareholding in Cetel Telekom İletişim Sanayi ve Ticaret Anonim Şirketi (Cetel) as financial investments in the consolidated financial statements. As of 31 December 2012 and 2011, Cetel is carried at cost after deducting impairment, if any, because the Company does not have significant influence at Cetel. The Company cannot obtain the financial information necessary for equity accounting and cannot influence Cetel with this regard. Accordingly, the Company believes that it does not have significant influence on Cetel.

Property, plant and equipment

Property, plant and equipment ("PPE") of the Group is carried at cost less accumulated depreciation and any accumulated impairment losses. The Group elected to measure property, plant and equipment of the Company on a deemed cost basis in the first period of application of IAS 29 "Financial Reporting in Hyper Inflationary Economy" since detailed records of the acquisition date and costs of items of PPE were not available for the Company prior to 1 January 2000. The deemed cost values for land and buildings as at 1 January 2000 were appraised by CMB licensed real-estate valuation companies. The network equipment and vehicles values were appraised by Detecon International GmbH (a subsidiary of Deutsche Telecom AG). Other than the PPE for which cost was determined on a deemed cost basis, the cost of PPE generally comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. PPE that are recognized at deemed cost basis or at cost are restated for the effects of inflation until 31 December 2004 in accordance with UMS 29.

Expenditures incurred after the PPE has been put into operation, such as repairs and maintenance, are normally charged to income statement in the year the costs are incurred. The Group recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if the recognition criteria are met

Depreciation is charged other than land and construction in progress, over their estimated useful economic lives using the straight-line method.

The useful lives for PPE are as follows:

	Years (*)
Buildings	21-25 years
Outside plant	5-21 years
Transmission equipment	5-21 years
Switching equipment	5-8 years
Data networks	3-10 years
Vehicles	5 years
Furniture and fixtures	3-5 years
Other property, plant and equipment	2-8 years

(*) The remaining useful lives of the PPE are limited to the concession periods. Considering the Concession Agreement useful lives of purchases made in 2012 are limited to 14 years.

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

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3. Valuation basis and Significant accounting policies applied (continued)

Property, plant and equipment (continued)

Assets held under finance leases are depreciated over their expected useful economic lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of PPE is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated income statement.

Revenue sharing projects

Payments are made to contractors, as consideration for property, plant and equipment investments under revenue sharing projects, based on a percentage of revenues generated once the project has been completed and taken into operations and up to an agreed upon level. Revenue sharing projects are accounted for using a method similar to a finance lease, where assets are recognized as assets of the Group at their fair value at the time the project is completed and put in operation or, if lower, at the present value of the minimum payments. The corresponding liability is included in the balance sheet as an obligation. Payments are apportioned between finance charges, maintenance expense where material, and reduction of the obligation so as to achieve a constant rate of interest on the remaining balances of the liability. Finance expenses are recognised in the consolidated income statement.

Investment property

Investment properties, which are properties held to earn rent and/or for capital appreciation are measured initially at cost, including transaction costs and subsequent to initial recognition, investment properties, are stated at their cost less accumulated depreciation and any accumulated impairment losses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. The Group decided to measure investment property on a deemed cost basis in the first period of application of IAS 29, since detailed records of the acquisition date and costs of items of investment property were not available prior to 1 January 2000 and restated these deemed cost basis for the effects of inflation until 31 December 2004.

In case the intended use of the properties is changed by the Group, the properties are reclassified by a transfer between the property, plant and equipments and the investment properties account. When the investment properties are derecognized, the difference between the sales proceeds and the carrying amount of the property is reflected to the consolidated income statement.

Professional assessments of the 1 January 2000 market values were conducted by CMB licensed independent real-estate appraisers. Following initial recognition, investment properties are carried at cost less any accumulated amortization and any accumulated impairment losses.

Depreciation is charged other than land, over their estimated useful economic lives, using the straight-line method. The useful lives of buildings that are owned by the Group range between 15 - 50 years (considering the Concession Agreement, 2012 acquisitions' useful lives are limited to 14 years).

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3. Valuation basis and Significant accounting policies applied (continued)

Non-current assets held for sale

The Group classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or the group of assets held for sale) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable management must be committed to a plan to sell the asset (or the group of assets held for sale) and an active program to locate a buyer and complete the plan must have been initiated. Furthermore, the asset (or the group of assets held for sale) must be actively marketed for sale at a price that is reasonable in relation to its fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

In case the period to complete sale of assets is extended due to circumstances which are not under the control of the Group, the assets will continue to be classified as assets held for sale provided that the Group has still an active sales program.

The Group measures assets held for sale at the lower of its carrying amount and fair value less costs to sell. When the sale is expected to occur beyond one year, the Group determines the net present value of the selling price. Any increase in the present value arises from the passage of time is presented in the consolidated income statement as a finance cost. The Group does not depreciate a non-current asset while it is classified as held for sale.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is charged to the consolidated income statement in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or infinite. The Group does not have any intangibles with infinite useful lives. Intangible assets with finite lives are amortized on a straight line basis over the shorter of their useful economic lives or remaining concession period. Whenever there is an indication that the intangible asset may be impaired it is assessed for impairment.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated income statement. The amortization periods for intangible assets are between 3 and 20 years. The remaining useful lives of the intangible items are limited to the concession periods. Considering the Concession Agreement, 2012 acquisitions' useful lives are limited to 14 years.

Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual project is recognized as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

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

3. Valuation basis and Significant accounting policies applied (continued)

Research and development costs (continued)

Impairment test is performed annually in order to identify whether there is any impairment in the development stage. After initial recognition, development costs are recognized at cost less amortization and impairment. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Periodic impairment tests are applied to the assets in order to foresee any probable impairment on the assets in the period that they are not ready for utilization yet.

Impairment of property, plant and equipment and intangible assets excluding goodwill

At each balance sheet date, the Group assesses whether there is an indication that any of its PPE and intangible assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated income statement.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs comprise purchase cost and, where applicable and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Net realizable value is the estimated selling price in the ordinary course of business, less marketing, selling and other various expenses to be incurred in order to realize sale.

Financial instruments

Financial assets consist of cash and cash equivalents, trade receivables, financial assets, other receivables, derivative financial assets and receivable from related parties. Financial liabilities consist of trade payables, due to related parties, derivative financial liabilities, and other payables.

Financial assets and financial liabilities are recognized on the Group balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)
(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

3. Valuation basis and Significant accounting policies applied (continued)

Financial instruments (continued)

When a financial instrument gives rise to a contractual obligation on the part of the Group to deliver cash or another financial asset or to exchange another financial instrument under conditions that are potentially unfavourable, it is classified as a financial liability. The instrument is equity instrument if, are met:

- The instrument includes no contractual obligation to deliver cash or another financial asset to another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.
- If the instrument will or may be settled in the Group's own equity instruments, it is a non-derivative that includes no contractual obligation for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments where their original maturities are three months or less, that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other receivables and allowances for doubtful receivables

Trade receivables are recognized at original invoice amount however subsequently they are carried at original invoice amount less allowance for any uncollectible amounts. Subsequent to initial recognition, trade receivables are measured at amortized cost. None interest rate bearing short term receivables are measured at original invoice amount unless the effect of imputing interest is significant.

Trade and other payables

Trade and other payables are initially measured at fair value. None interest rate bearing short term payables are measured at original invoice amount unless the effect of imputing interest is significant.

Financial borrowings

Interest-bearing financial borrowings are initially measured at the fair value of the consideration received, less directly attributable costs and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings through the amortization process, using the effective interest rate method as explained above.

Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)
(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

3. Valuation basis and Significant accounting policies applied (continued)

Financial instruments (continued)

Derivative financial instruments

The Group uses derivative financial instruments to hedge its interest rate and foreign currency risk exposures arising from its long term borrowings. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to profit or loss.

The fair value of option contracts is calculated by reference to current option rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market value for similar instruments.

For the purpose of hedge accounting, hedges are classified as; cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company assesses the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. It is expected that hedge transaction is to be effective in stabilize changes between changes in fair value or cash flow. During all financial reporting periods in which it is defined, hedge transaction is evaluated continuously for identification of effectiveness and it is expected to be consistent with documented risk management strategy.

Cash flow hedges

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

The effective portion of the gain or loss on the hedging instrument is recognized directly in consolidated statement of comprehensive income, while any ineffective portion is recognized immediately in the consolidated income statement at financial income and expense accounts.

Amounts taken to the consolidated statement of comprehensive income are transferred to the consolidated income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs.

If the forecast transaction or commitment is no longer expected to occur, amounts previously recognized in the consolidated statement of other comprehensive income are transferred to consolidated income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

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Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)
(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

3. Valuation basis and Significant accounting policies applied (continued)

Financial instruments (continued)

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issuance costs.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a company of similar financial assets) is derecognized where the rights to receive cash flows from the asset have expired, the Group retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement or the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated income statement.

Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized in the consolidated income statement.

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Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)
(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

3. Valuation basis and Significant accounting policies applied (continued)

Derecognition of financial assets and liabilities (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in the consolidated income statement.

Reserve is provided for the overdue uncollectible receivables. Also portfolio reserve is provided for the not due receivables based on certain criteria. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Related Parties

Parties are considered related to the Company if;

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

- (i) The entity and the company are members of the same group.
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Long-term employee benefits

Payments to defined contribution retirement benefit plans are charged as an expense in the year in which the contributions relate to. Payments made to the Social Security Institution of Turkey and Turkish Republic Retirement Fund are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan. The Group pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense in the period to which the employees' service relates.

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

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Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)
(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

3. Valuation basis and Significant accounting policies applied (continued)

Long-term employee benefits (continued)

For defined benefit plans and other long-term employment benefits, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for any unrecognized past service cost. There is no funding requirement for defined benefit plans. The Group recognizes actuarial gains and losses in the consolidated statement of comprehensive income.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Contingent assets and liabilities

Possible assets or obligations that arise from past events and which existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are treated as contingent assets or liabilities.

A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. If the possibility of transfer of assets is probable, contingent liability is recognized in the financial statements. A contingent asset is disclosed, where an inflow of economic benefits is probable.

Taxation and deferred income taxes

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

(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 year ended 31 December 2012 (continued)
(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

3. Valuation basis and Significant accounting policies applied (continued)

Taxation and deferred income taxes (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The Company and the other consolidated subsidiaries have reflected their deferred tax asset and liabilities by netting their individual balances; however, there is no netting on a consolidation basis. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to consolidated income statement, except when it relates to items charged or credited directly to the equity in which case the deferred tax is also dealt within the equity.

Prepaid corporation taxes and corporate tax liabilities are offset when they relate to income taxes levied by the same taxation authority.

Leasing - the Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Leasing - the Group as lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the consolidated income statement.

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Service revenues are recorded at the time services are rendered.

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Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)
(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

3. Valuation basis and Significant accounting policies applied (continued)

Revenue recognition (continued)

Fixed-line revenues

Revenues from fixed-line telecommunication services like network access, local usage, domestic and international long distance and infrastructure leases are recognized on an accrual basis as services are provided. Connection fees are immediately recognized as revenue since the fees are below the cost of connection which is also recognized immediately as an expense.

Revenues from sale of Indefeasible Right of Use contracts, which are long term capacity/line rental arrangements, are accounted over the term of the contract.

GSM revenues

Revenues generated from mobile telecommunication services such as outgoing and incoming traffic, roaming revenues, revenues from value added services and monthly fees which are recognized at the time services are rendered. With respect to prepaid outgoing revenues, the Group generally collects cash in advance by selling scratch cards to dealers and distributors. In such cases, the Group does not recognize revenues until the subscribers use the service and present such amounts under deferred revenues in the consolidated financial statements.

The Group recognizes content revenue based on the agreement between the Group and the content providers. As the Group is the primary obligor of the service, the revenue received from the subscribers is presented on gross basis and the portion paid to the content providers is recognized as operating expense.

Equipment sales revenues

Revenues from sales of phone device, modem and other network equipment are recorded as revenue at the time of delivery of equipment to customers.

In connection with campaigns, other telecommunication services may be bundled with phone devices and modems. Total arrangement considerations relating to the bundled contract are allocated among the different units if the component has standalone value to the customer and the fair value of the component can be measured reliably. The arrangement consideration is allocated to each deliverable in proportion to the fair value of the individual deliverables. Revenue attributed to delivered component is limited with the amount not contingent to the undelivered component. Equipment revenues are presented in other revenues. Cost of products and services are recorded as expense when related revenue recorded.

Borrowing costs

Borrowing costs that directly attributable to the acquisition, building or manufacturing of a specific asset are recognized as a part of the cost of the related asset, whereas other borrowing costs are recognized as expense in the consolidated income statement in the period they are incurred.

Other income

Interest income is recognized as interest accrues (using the effective interest rate that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

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3. Valuation basis and Significant accounting policies applied (continued)

Subscriber acquisition costs

The Group recognizes subscriber acquisition costs in the consolidated income statement in the year which they are incurred. Subscriber acquisition costs include subsidization of the handset, taxes on subscription and dealer commissions incurred for acquisitions.

Effects of changes in exchange rates

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange rate at the reporting date. Foreign currency differences arising on translation of foreign currency transactions are recognized in the income statement. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined.

For the subsidiaries whose functional currency is not TL assets and liabilities are retranslated to TL at the exchange rate ruling at the reporting date. The income and expenses are translated to TL at exchange rates approximating to the exchange rates at the dates of the transactions. Foreign currency differences arising on retranslation are recognized directly in equity under currency translation reserve.

The Groups hedges its net investment in a foreign operation through a financial liability. Where the differences arising on settlement or translation of monetary items are designated as part of the hedge of the Group's net investment of a foreign operation, these are recognized in other comprehensive income. These amounts are carried at other comprehensive income until the net investment is disposed, at which time; the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Goodwill and fair value differences that arose as a result of acquisition of foreign operation is determined as asset and liability of the foreign operation and translated to TL using the exchange rate at the reporting date.

4. Critical accounting judgments and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, the Management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements (apart from those involving estimations).

Operating Lease Commitments – Group as Lessor: The Group has entered into a cross-occupation agreement with the PTT. The Group has determined that it retains all the significant risks and rewards of ownership of its properties subject to the agreement which are leased out on operating leases.

Minority Put Option Liability – On valuing the minority put option liability: the Group considered that there will be no Initial Public Offering ("IPO") for Avea before 1 January 2015 and, therefore, expects that the put option will be exercisable at the earliest as at 1 January 2015.

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Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)
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4. Critical accounting judgments and key sources of estimation uncertainty (continued)

Sales Campaign Income: Group makes campaigns with suppliers under which they bundle telecommunication services with equipment supplied by the suppliers. The Group management accounts bundled offers as an agent if the sale transaction satisfies the below conditions:

- Group, has no inventory risk.
- Group has no responsibility on technical qualifications of equipment delivered to customers. Responsibility after sale belongs to supplier.
- Group does not make any modification on the equipment.
- Group shares credit risk with the supplier.
- Group earns either a fixed rate of commission or zero profit on the transaction.

Prepaid Card Sales Agent –Principal Analysis: Since Avea is primarily responsible for providing the service, has credit and inventory risk and determinant in setting prices; starting from April 2010, Avea recognizes prepaid card incomes on gross basis.

Content Sales- Since Avea is primarily responsible for providing the service, has credit and determinant in setting prices; Avea recognizes content revenues on gross basis

Critical judgments of the Group in relation with IFRIC 12 are explained in "key sources of estimation uncertainty" in IFRIC 12 section.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

- a) The Group determines whether property, plant and equipment is impaired by estimating the recoverable amount of the assets whenever there is an indication of impairment. This requires an estimation of the value in use of the cash-generating units. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows (Note 18).
- b) The estimates used by the Group in the application of IFRIC 12 are as follows:
- i) As of 31 December 2012, the Company considers that approximately 30% of the foreseen network investments related with the replacement of the network equipment that are reclassified to intangible assets at 1 January 2007 and then are recorded to financial statements as intangible assets are the contractual replacements as required by the concession agreement. The Group has provided provision amounting to TL 8.783 (2011: TL 11.518) (Note 23-b) in the consolidated financial statements for the foreseen contractual replacements in the future. Aforementioned provision is the present value as at 31 December 2012 of the contractual replacement expenses that will be realized in the future. Discount rate used in provision calculation is determined as 12,5% (2011 – 12,4%).

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4. Critical accounting judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

- ii) In accordance with IFRIC 12, the Company has determined the cost of the investments in intangible assets recognized under the scope of IFRIC 12 by adding the profit margin, which is applied in the market for similar construction services, to the cost of acquiring the related network equipment. The estimated profit margin used in construction services provided in exchange for concession right is 13% (2011 – 13%) for the year ended as of 31 December 2012. The profit margin of property, plant and equipment accounted within the scope of IFRIC 12 amounting to TL 571.973 (2011 – TL140.297) (Note 22) is TL65.802 for the year ended as of 31 December 2012 (2011 – TL 16.140).
- c) A deferred tax asset is recognized only to the extent that it is probable that a tax benefit will be realized in the future. If it is probable that a tax benefit will be realized, a deferred tax asset is recognized on unused tax losses, unused tax credits and other deductible temporary differences. With the expectation to recover certain part of its tax losses carried forward in Avea, the Group has recognized deferred tax assets on statutory tax losses available for offsetting with future statutory taxable profits amounting to TL 238.500 (31 December 2011 – TL 245.000). Every year, the Group re-assesses its tax loss carry forwards and if there is a material change in the deferred tax asset recognized in the consolidated financial statements, the deferred tax assets are also changed (Note 14).
- d) Assumptions used in the impairment test of property, plant and equipment and intangible assets have been explained in Notes 18 and 21.
- e) The impairment losses in trade and other receivables are based on management's evaluation of the volume of the receivables outstanding, historical collection trends and general economic conditions. The Group follows collection of trade receivables periodically and on the basis of previous years collection ratios, records provisions in case of losses due to trade receivables should economic conditions, collection trends or any specific industry trend worsen compared to management estimates, allowance for doubtful receivables recognized in consolidated financial statements may not be sufficient to cover bad debts.
- Assumptions used to calculate allowance for doubtful receivables have been reconsidered by the Group during 2012. If the assumptions have not been changed allowance for doubtful receivables would have been TL 108.837 higher for the year ended 31 December 2012. The effect of the change in doubtful receivable estimation future periods cannot be computed because the allowance for doubtful receivables depends on future collections and total amount that will be invoiced.
- f) Assumptions used by Company in goodwill impairment test are explained in Note 18. The Group determines the useful life of an asset by considering its future economic benefit. This evaluation is driven by the Group's previous experience on similar experiences. The Group also considers useful life of the asset from technical and commercial perspectives due to changes and developments in market in order to assess whether additional impairment is required or not.
- g) There are other estimations made by the management during the determination of useful lives and provisions for litigations (Note 23).

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4. Critical accounting judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

- h) The Group calculates market value of minority share put option liability as at 1 January 2015, based on discounted cash flow method. Value of the liability is determined as of 1 January 2015 and discounted to 31 December 2012 (The details have been explained in Note 11).
- i) The Group decided to disclose land and buildings which significant portion of total area is rented as investment property and so, as of 31 December 2012, investment property with net book value of TL 216.050 and TL 3.436 is reclassified to land and buildings and asset held for sale, respectively.

5. Segment reporting

The Group has two main segments: Fixed line and GSM. Fixed line services are provided by Türk Telekom, TNet, 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 and the cash flows are presented below:

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5. Segment reporting (cont'd)

	Fixed line		Mobile		Eliminations		Consolidated	
	1 January- 31 December 2012	1 January- 31 December 2011	1 January- 31 December 2012	1 January- 31 December 2011	1 January- 31 December 2012	1 January- 31 December 2011	1 January- 31 December 2012	1 January- 31 December 2011
Revenue								
Domestic PSTN	3.836.954	4.114.396	-	-	-	-	3.836.954	4.114.396
ADSL	3.069.320	2.924.566	-	-	-	-	3.069.320	2.924.566
GSM	-	-	3.474.744	3.080.495	-	-	3.474.744	3.080.495
IFRIC12 revenue	571.973	140.297	-	-	-	-	571.973	140.297
Data service revenue	560.557	443.004	-	-	-	-	560.557	443.004
International interconnection revenue	463.605	461.009	-	-	-	-	463.605	461.009
Domestic interconnection revenue	308.899	321.493	-	-	-	-	308.899	321.493
Leased lines	349.325	449.416	-	-	-	-	349.325	449.416
Rental income from GSM operators	87.882	98.514	-	-	-	-	87.882	98.514
Other	329.871	244.879	-	-	-	-	329.871	244.879
Eliminations	-	-	-	-	(346.988)	(337.513)	(346.988)	(337.513)
Total revenue	9.578.386	9.197.574	3.474.744	3.080.495	(346.988)	(337.513)	12.706.142	11.940.555
Cost of sales and operating expenses (excluding depreciation and amortization)	(5.116.904)	(4.607.133)	(2.992.634)	(2.706.805)	341.754	334.406	(7.767.784)	(6.979.532)
Other income / (expense)	152.851	112.535	3.895	6.161	1.279	(2.682)	158.025	116.014
Depreciation and amortization	(1.032.844)	(972.042)	(642.183)	(603.926)	4.202	1.506	(1.670.825)	(1.574.462)
Impairment on FA & IFA	(21.347)	(2.068)	-	-	-	-	(21.347)	(2.068)
Impairment on goodwill	(4.480)	-	-	-	-	-	(4.480)	-
Earnings before interest, tax, depreciation and amortization	4.614.333	4.702.975	486.005	379.851	(3.955)	(5.788)	5.096.383	5.077.038
Doubtful receivable provision expense	6.190	(44.971)	12.351	49.776	-	-	18.541	4.805
Capital expenditure	1.681.177	1.481.467	755.760	798.837	(1.803)	(2.788)	2.435.134	2.277.516
Contribution to the consolidated revenue (*)	9.306.068	8.894.430	3.400.074	3.046.126	-	-	12.706.142	11.940.556
Contribution to the consolidated EBITDA (**)	4.396.037	4.447.110	700.345	629.927	-	-	5.096.382	5.077.037

(*) Capital expenditures do not include TL 65.802 (2011 - TL 16.140) 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.

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Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)
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5. Segment reporting (cont'd)

	1 January- 31 December 2012	1 January- 31 December 2011
Fixedline segment EBITDA	4,614,333	4,702,975
GSM segment EBITDA	486,005	379,851
Inter-segment eliminations	-3,955	(5,789)
Consolidated EBITDA	5,096,383	5,077,037
Financial income	872,480	395,721
Financial expenses (-)	(905,809)	(1,287,129)
Depreciation and amortisation, impairment	(1,696,652)	(1,576,530)
Consolidated profit before tax	3,366,402	2,609,099

31 December 2012

	Fixed Line	Mobile	Eliminations	Other uncollected 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)

31 December 2011

	Fixed Line	Mobile	Eliminations	Other uncollected amounts	Consolidated
Total segment assets	15,809,970	5,274,992	(4,910,555)	-	16,174,407
Total segment liabilities	(8,309,437)	(6,462,623)	4,925,274	(558,251)	(10,405,037)

(*) Includes minority put option liability amounting to TL 467,561 (2011 - TL 558,251)

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6. Cash and cash equivalents

	31 December 2012	31 December 2011
Cash on hand	791	2,495
Cash at banks- Demand Deposit	439,694	399,447
Cash at banks- Time Deposit	520,232	575,603
Other	71	1,131
	960,788	978,676

As of 31 December 2012, 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% - 12,10% for TL deposits, between 0,10% - 4,55% for US Dollar deposits and between 0,10% - 5,29% for Euro deposits. (31 December 2011 - for TL deposits between 3,75% and 12,15% for TL deposits, for US Dollar deposits between 0,50% and 5,10% and for Euro deposits between 1,60% and 8,00%).

As of 31 December 2012, TL 87.816 (2011 - TL 119.374) of time deposits represents advances received from the Turkish Armed Forces for Turkish Armed Forces Integrated Communication Systems ("TAFICS") projects. The interest income from these time deposits are added to the advances received and not reflected in the consolidated income statement as per agreement between parties (Note 15). These time deposits are restricted and can only be used for payments related to TAFICS projects.

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

	31 December 2012	31 December 2011
Cash and cash equivalents	960,788	978,676
Less: restricted amounts		
- Collection protocols	(284,687)	(323,643)
- Restricted deposit in relation to bank borrowings	(124,411)	(283,965)
- TSKEMS projects	(87,816)	(119,374)
- ATM collection	(6,479)	(4,869)
- Other	(10,383)	(20,230)
Not restricted cash	447,012	226,595

As of 31 December 2012, demand deposits amounting to TL 284,687 (2011 - TL 323,643) is restricted due to collection protocols signed with banks for receipts from the subscribers, under which proceeds are made available to the Group a certain number of days after the cash is collected. As of 31 December 2012, all (2011 - 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 6,479 arising from collections through automated teller machine ("ATM") is not available for use at 31 December 2012 (2011 - TL 4,869).

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 508,781 at 31 December 2012 ; (2011 - TL 472,798) 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 on a monthly basis about such new accounts as well as the closed accounts.

Out of TL 960,788 (2011 - TL 978,676), cash and cash equivalents amounting to TL 508,809 (2011 - TL 472,817) belongs to Avea.

At 31 December 2012, the Group had available of Euro 70,00 undrawn committed borrowing facilities.

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7. Financial liabilities- Net

	31 December 2012			31 December 2011		
	Weighted average nominal interest rate (%)	Original amount	TL equivalent	Weighted average nominal interest rate (%)	Original amount	TL equivalent
Short-term borrowings:						
TL bank borrowings with fixed interest rates	5.17	284,162	284,162	12.11	755,292	755,292
Interest accruals:						
TL bank borrowings with fixed interest rates		604	604		2,219	2,219
USD bank borrowings with fixed interest rates		1,386	2,471		1,389	2,624
USD bank borrowings with variable interest rates		8,615	15,357		7,526	14,216
Euro bank borrowings with fixed interest rates		-	-		54	132
Euro bank borrowings with variable interest rates		7,769	18,270		6,035	14,748
JPY bank borrowings with variable interest rates		37,201	768		-	-
Short-term portion of long-term bank borrowings:						
USD bank borrowings with fixed interest rates	2.98	165,368	294,785	3.00	43,383	81,947
USD bank borrowings with variable interest rates (*)	3.47	187,824	334,815	3.16	403,492	762,159
Euro bank borrowings with fixed interest rates	-	-	-	6.83	11,157	27,265
Euro bank borrowings with variable interest rates (**)	2.84	166,034	390,462	3.92	259,431	633,995
Total short-term borrowings		1,341,694				2,294,597
Long-term borrowings:						
USD bank borrowings with fixed interest rates	2.98	257,611	459,217	3.00	344,614	650,940
USD bank borrowings with variable interest rates (*)	3.47	1,010,218	1,800,815	3.16	433,420	818,689
Euro bank borrowings with variable interest rates (**)	2.84	980,582	2,306,035	3.92	632,677	1,546,136
JPY bank borrowings with variable interest rates (***)	2.82	4,951,728	102,283	-	-	-
Total long-term borrowings		4,668,350				3,015,765
Total financial liabilities		6,010,044				5,310,362

(*) Libor + (varies between %1,70 – %3,40) spread

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

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

As of 31 December 2012 the fair value of the bank borrowings is TL 6,012,371 (2011 - TL 5,307,258). Avea's total borrowings included in the consolidated financial statements amount to TL 164,731 (2011 - TL 683,017).

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7. Financial Liabilities - Net (continued)

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

	31 December 2012					31 December 2011				
	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 year	Total	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 year	Total
TL bank borrowings with fixed interest rates	272,356	12,410	-	-	284,766	757,511	-	-	-	757,511
US bank borrowings with fixed interest rates	2,826	294,430	369,379	89,838	756,473	3,354	81,217	516,028	134,912	735,511
US bank borrowings with variable interest rates	207,895	142,277	1,333,293	467,522	2,150,987	350,269	426,106	742,214	76,475	1,595,064
Euro bank borrowings with fixed interest rates	-	-	-	-	-	227	27,170	-	-	27,397
Euro bank borrowings with variable interest rates	103,623	305,109	2,079,052	226,983	2,714,767	96,483	552,260	1,234,441	311,695	2,194,879
JPY bank borrowings with variable interest rates	768	-	102,283	-	103,051	-	-	-	-	-
	587,468	754,226	3,884,007	784,343	6,010,044	1,207,844	1,086,753	2,492,683	523,082	5,310,362

The re-pricing or the earlier contractual maturities of bank borrowings in equivalent of TL are as follows:

	31 December 2012					31 December 2011				
	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 year	Total	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 year	Total
TL bank borrowings with fixed interest rates	272,356	12,410	-	-	284,766	757,511	-	-	-	757,511
US bank borrowings with fixed interest rates	2,826	294,430	369,379	89,838	756,473	3,354	81,217	516,028	134,912	735,511
US bank borrowings with variable interest rates	1,004,074	500,721	646,192	-	2,150,987	1,532,726	62,338	-	-	1,595,064
Euro bank borrowings with fixed interest rates	-	-	-	-	-	227	27,170	-	-	27,397
Euro bank borrowings with variable interest rates	1,304,611	1,410,156	-	-	2,714,767	988,437	1,206,442	-	-	2,194,879
JPY bank borrowings with variable interest rates	103,051	-	-	-	103,051	-	-	-	-	-
	2,686,918	2,217,717	1,015,571	89,838	6,010,044	3,282,255	1,377,167	516,028	134,912	5,310,362

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7. Financial liabilities (continued)

The following borrowings of Avea as of 31 December 2012 and 2011 are secured by a security package:

	31 December 2012			31 December 2011		
	US Dollar	Euro	TL equivalent	US Dollar	Euro	TL equivalent
Borrowings secured by security package	79,871	9,148	163,892	335,216	20,068	682,232

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 December 2012 a maximum total amount of 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 560.978 as at 31 December 2012).
- 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 December 2012 - TL 508.781; 2011 - TL 472.798).
- 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 favor 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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7. 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 December 2012.

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 December 2012.

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 December 2012.

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 December 2012 loan payable amounts to Euro 1.827.

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8. Trade receivables and payables

a) Trade receivables

	31 December 2012	31 December 2011
Short-term		
Trade receivables	3,388,639	3,221,509
Other trade receivables	46,900	70,024
Allowance for doubtful receivables (-)	(1,315,324)	(1,312,949)
Total short-term trade receivables	2,120,215	1,978,584
Long-term		
Trade receivables	31,012	83,307
Total long-term trade receivables	31,012	83,307

Trade receivables generally have an average 30 day terms (2011 – 30 days).

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

	31 December 2012	31 December 2011
At January 1	(1,312,949)	(1,317,070)
Provision for the year	(189,055)	(230,056)
Reversal of provision - collections (Note 30)	186,257	231,694
Write off doubtful receivables	372	2,501
Change in currency translation differences	51	(18)
At 31 December	(1,315,324)	(1,312,949)

The Company waits up to 90 days before initiating legal action for overdue receivables. Based on its previous collection performance from overdue receivables, the Company expects to make significant collection from its overdue receivables. As of 31 December 2012 and 2011 the analysis of trade receivables that were past due but not impaired is as follows:

	Neither past due Total	Past due but not impaired						
		> 30 days	30-60 days	60-90 days	90-120 days	120-360 days	>360 days	
31 December 2012	2,151,227	1,159,074	162,665	229,107	118,151	92,497	222,335	167,398
31 December 2011	2,061,891	1,243,108	221,038	219,699	125,924	85,815	122,337	43,970

Receivables guaranteed from dealers of the Group are amounting to TL 45,664 (2011 – TL21,070).

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8. Trade receivables and payables (continued)

b) Trade payables

	31 December 2012	31 December 2011
Short-term		
Trade payables	1,249,605	1,544,943
Other trade payables	1,100	570
Total short-term trade payables	1,250,705	1,545,513
Long-term		
Trade payables	16,394	87,375
Total long-term trade payables	16,394	87,375

Trade payables amounting to TL 235 as at 31 December 2012 (2011 - TL 177) represent payable to suppliers due to TAFICS projects (Note 6).

The average term of trade payables is between 30 and 90 days (2011 – 30 and 90 days).

As of 31 December 2012 and 2011, long-term trade payables represent payables to suppliers of equipments that are purchased in connection with sale campaigns and will be paid when collected from the subscribers. Information related to the Group's credit risk is presented in Note 33

9. Receivables and obligations under finance and operational leases

Financial leases:

The Group has no financial lease receivables as of 31 December 2012 and 2011.

Finance lease obligations that the Group has entered into for acquisition of network equipment and a building are as follows:

	31 December 2012		31 December 2011	
	Principal	Interest	Principal	Interest
Within one year	7,125	1,240	7,080	1,809
Between one to two years	7,029	888	6,962	1,445
Between two to five years	13,596	675	21,756	1,820
	27,750	2,803	35,798	5,074

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9. Receivables and obligations under finance and operational leases (continued)

Operating leases:

a) After the foundation of the Company, an agreement was signed between PTT and the Company in 1997 to grant the right of free use of buildings occupied by both parties for 49 years. In 2005, an amendment was made to the agreement requiring the Company to pay TL 35.000 per year for ten years (which will be escalated based on rent increase rate determined by Ministry of Finance) to PTT in exchange for the use of net m² of building space owned by the PTT but occupied by the Company or vice versa. The parties will renegotiate the term of the agreement at the end of ten years. Since the transaction between PTT and the Company is not an arms-length transaction, it has been reflected on a net cash basis in the consolidated financial statements, instead of grossed up fair value (Note 10).

At the balance sheet date, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	31 December 2012 (*)	31 December 2011 (*)
Within one year	60,480	54,427
In the second to fifth years (inclusive)	241,920	217,707
After fifth year	1,753,920	1,632,799
	2,056,320	1,904,933

(*) Future escalations have not been considered and future payments are calculated based on current year's rent amount.

b) The Company has operating lease agreements with respect to leased lines. The revenue from leased lines for the year ended 31 December 2012 is TL 237.635 (2011 – TL 317.199).

c) Group entered into operating lease agreements with respect to base stations and leased lines. Total operating lease expense for the year ended 31 December 2012 amounts to TL 230.085 TL (2011 –179.644).

A summary of commitments in relation to base station leases and leased lines are as follows:

	31 December 2012	31 December 2011
Within one year	146,673	105,392
In the second to fifth years (inclusive)	100,561	143,988
Later than five years	25,110	27,656
	272,344	277,036

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10. Due from and due to related parties - net

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

Institutions under state control are defined as related parties due to 30% ownership and the golden share of the Treasury. As explained in Note 2.1, 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 December 2012 and 2011 are disclosed below:

	31 December 2012	31 December 2011
Due from related parties		
Parent company		
Saudi Telecom Company ("STC") (2)	5,240	14,604
Other related parties		
Oger Telekom Yönetim Hizmetleri Limited Şirketi ("OYTH") (1)	151	78
Other	382	198
	5,773	14,880
Due to related parties		
Parent company		
STC (2)	784	667
Other related parties		
OYTH (1)	6,552	4,804
Other	53	131
	7,389	5,602

(1) a subsidiary of Oger Telecom

(2) shareholder of Oger Telecom

Transactions with shareholders:

As of 31 December 2012, the Company made dividend payment to the Treasury at the amount of TL 600.825 (2011 - TL 710.894). The dividend payment to OTAŞ amount to TL 1.043.089 (2011 - TL 1.234.179).

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 December 2012, unpaid portion of these liabilities are recorded under other short term liabilities (Note 15) and reflected to cost of sales account.

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

Transactions with other related parties:

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

Operational lease payment made to PTT by the Company in 2012 as part of the lease agreement (Note 9) amounts to TL 60.480 (2011- TL 54.426).

The Group 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 15.669 and TL 8.441, respectively, as of 31 December 2012 (31 December 2011 - TL 14.080 revenues and TL 844 expenses)

Compensation of key management personnel

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

	31 December 2012	31 December 2011
Short-term benefits	88,924	45,901
Long-term defined benefit plans	1,718	1,057
	90,642	46,958

Furthermore, OTMSC charged to the Company a management fee amounting to TL 19.617 and an expense fee for an amount of TL 351 for the year ended 31 December 2012 (2011 - TL 14.619 and TL 139), 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 are explained in Note 7.

The Company guaranteed EUR 8.000 to support financing of Cetel.

11. Minority put option liability

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

a) If an IPO for Avea does not take place before 1 January 2011, then starting from 1 January 2011 until 31 December 2014 ("First Period") İş Bank Group at any time during the First Period shall have the right to demand that the Company initiate and execute an IPO to be concluded within nine months starting from the date of the demand. However, the Company may decide, within thirty days following the date of the demand for IPO, to postpone the IPO until the end of the First Period.

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11. Minority put option liability (continued)

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.

At Avea's Extraordinary General Assembly meeting held on 28 February 2012 it has been decided to decrease Avea's share capital which is TL 7.115.000 by netting off TL 3.295.000 of accumulated losses and to subsequently increase it back to TL 7.115.000 with a share premium. In this process, İş Bank Group Companies, then holding 18.63% of Avea shares, decided not to exercise their pre-emptive rights and the Company exercised İş Bank Group companies' unexercised rights. With this decision the Company's share in Avea increased to 89.9965%. The decisions taken in the Extraordinary General Assembly dated 20 March 2012 was registered and all of capital commitment is paid by the Company as of 31 December 2012.

While determining fair value of minority put option liability as of 31 December 2012, it had been assumed that İş Bankası Group would exercise its option on 1 January 2015. The Company has estimated a value based discounted cash flows after 31 December 2014. The value determined as at 1 January 2015 is then discounted back to 31 December 2012. The fair value of the put option liability as at 31 December 2012 amounts to TL 467.561 (2011 - TL 558.251). In accordance with Group's accounting policies, the change between fair values of minority put option liabilities as of 31 December 2012 and 2011 has been accounted in other reserves under equity.

In order to reflect the minority put option liability in the consolidated financial statements, the minority interest (after giving the effect of loss) as at 31 December 2012, amounting to negative TL 286.845 (2011 - negative TL 221.133), 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 (2011 - TL 558.251), and the difference of TL 180.716 (2011 - TL 779.383) is reflected in equity as "minority put option liability reserve", based on the Group's accounting policy for the acquisition of minority interest (Note 24).

The enterprise value used as a base for the minority put option fair value determination has been calculated using cash flow projections from the business plan of Avea covering a five-year plan. Weighted Average Cost of Capital (WACC) used for the discount of cash flows for the period that Avea will pay income tax is 13,7% and 14,7% for non-taxable period. The valuation is tested at a sensitivity of +2% / -2%. Avea's corporate value is based on a discounted cash flow (DCF) study implemented until 2029.

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12. Other receivables and payables

Other current assets

	31 December 2012	31 December 2011
Other current assets	137,926	85,548
Deposits and guarantees given	397	22,461
Other doubtful receivables	33,872	22,498
Allowance for other doubtful receivables	(33,872)	(22,498)
	138,323	108,009

As of 31 December 2012, TL 43,136 (2011 – TL 49,568) portion of other short term receivables consists of receivables from Ministry of Transport and Communications due to the expenses made under Universal Service Fund.

As of 31 December 2012, other doubtful provision has increased amounting to TL 14,527 (2011 – TL 212) while TL 3,153 (2011 – TL 2,246) of the provision is released.

Other long term assets

As at 31 December 2012, Group's other long term receivables amount is TL 28,143 (2011 – TL 1.822).

Other current liabilities

	31 December 2012	31 December 2011
Taxes and duties payable	257,975	238,228
Social security premiums payable	37,926	59,879
Payables to personnel	6,545	118,780
Deposits and guarantees taken	2,651	189
Other payables	19,543	38,063
	324,640	455,139

As of 31 December 2011, TL 111,564 out of total payables to personnel represent retirement pay, vacation pay and termination incentive payables within the scope of employee termination incentive program.

Other non-current liabilities

	31 December 2012	31 December 2011
Deposits and guarantees taken	7,761	8,823
Other payables	1,195	--
	8,956	8,823

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13. Inventories

The Group has an inventory balance of TL 128,107 as at 31 December 2012 (2011- TL106,607). Major part of this balance is composed of modems, computer, tablet, dect phones, cable box, SIM cards and consumables such as linkage block.

14. Deferred tax assets and liabilities

Deferred tax

The Group calculates deferred tax assets and liabilities based on temporary differences arising between the carrying amount of assets and liabilities as reported for CMB purposes and their tax base for statutory purposes. These temporary differences are mainly due to the timing differences of certain income and expense items in statutory and CMB financial statement as disclosed below.

The Group perpetually reassesses unrecognized deferred tax assets and decided to account for deferred tax assets (resulting from Avea and Pantel) arising from the tax losses carried forward based on the estimated taxable profits according to the business plan. As of December 31, 2012, Avea has reassessed unrecognized deferred tax assets and concluded that there is impairment on deferred tax asset and the amount has been decreased to TL 238,500.

As of 31 December 2012, deferred tax asset arising from prior year tax losses of Pantel Group is amounting to TL 32,454 (2011- TL 29,770). Pantel's unrecognized deductible tax losses that will be utilized upon the existence of a tax base and the expiration dates are as follows:

Expiration years	31 December 2012
2014	34
2015	308
2016	302
2017	1,004
2018	22
No expiry date	400
	2,070

As of 31 December 2012, the deferred tax asset recognized for Avea's carried forward tax losses amounted to TL 238.500 (2011 – TL 245.000). Avea's unrecognized deductible tax losses that will be utilized upon the existence of a tax base and the expiration dates are as follows:

Expiration years	31 December 2012
2013	821,880
2014	1,183,769
2015	872,038
2016	514,173
	3,391,860

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14. Deferred tax assets and liabilities (continued)

Deferred tax (continued)

For the calculation of deferred tax asset and liability, a rate of 20% for the companies established in Turkey was used as at 31 December 2012 and 2011.

Deferred tax asset / liability	Base for deferred tax calculation 31 December 2012	Deferred tax assets / (liabilities) 31 December 2012	Base for deferred tax calculation 31 December 2011	Deferred tax assets / (liabilities) 31 December 2011
Temporary differences on property, plant and equipment	(1,987,605)	(444,320)	(2,140,085)	(434,269)
Income accruals	(300,135)	(60,027)	(210,366)	(42,073)
Derecognition of lawsuit fees	(15,072)	(3,014)	(15,072)	(3,014)
Other	(61,982)	(12,370)	(87,211)	(17,462)
	(2,364,794)	(519,731)	(2,452,734)	(496,818)
Deferred tax asset recognized from tax losses carried forward	1,200,988	273,867	1,354,613	273,835
Provision for long-term employee benefits	737,742	147,634	552,216	110,448
Provision for unused vacation	81,075	16,256	77,252	15,450
Expense accruals	102,987	20,597	81,862	16,372
Provision for doubtful receivables	124,598	24,979	215,181	43,012
Universal service fund and other contributions	141,812	28,362	108,137	21,627
Other	63,047	15,764	37,240	7,853
	2,452,249	527,459	2,426,501	488,597
Deferred tax liability, net		7,728		(8,221)
Deferred tax asset, net		262,531		261,692
Deferred tax liability, net		(254,803)		(269,913)

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14. Deferred tax assets and liabilities (continued)

	1 January- 31 December 2012	1 January- 31 December 2011
Deferred tax (expenses) / income		
Provision for long-term employee benefits	16,364	(21,763)
Temporary differences of property, plant and equipment	12,058	18,018
Universal service fund and other contributions	6,735	(3,531)
Expense accruals	4,225	4,586
Provision for unused vacation	806	2,800
Tax losses carried forward	32	9,808
Fixed assets revaluation fund	(22,109)	-
Provision for doubtful receivables	(18,033)	2,804
Income accruals	(17,954)	(2,316)
Hedging instruments	(6,635)	-
Currency translation differences	(528)	2,506
Other	13,004	11,981
Deferred tax (expense) / income	(12,035)	24,893
Movement of deferred tax liability	31 December 2012	31 December 2011
Opening balance, 1 January	(269,913)	(301,551)
"Deferred tax related to items charged or credited directly to OCI during the year:"		
Actuarial gain	20,822	12,293
Net investment hedge	6,635	-
Reflected to period profit or loss	(12,874)	21,851
Currency translation differences	528	(2,506)
Closing balance as of 31 December	(254,802)	(269,913)
Movement of deferred tax asset	31 December 2012	31 December 2011
Opening balance, 1 January	261,692	258,650
Reflected to period profit or loss	839	3,042
Closing balance as of 31 December	262,531	261,692
	31 December 2012	31 December 2011
Reflected to period profit or loss:		
- Deferred tax liability (expense) / income	(12,874)	21,851
- Deferred tax asset income / (expense)	839	3,042
Deferred tax income (Note 32)	(12,035)	24,893

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15. Other current and non-current assets

Other current assets

	31 December 2012	31 December 2011
Income accrual (1)	502,882	400,241
Intermediary services for collection (2)	131,052	50,920
Other prepaid expenses	116,688	138,770
Prepaid rent expense (3)	101,512	86,664
Advances given (4)	68,910	90,406
VAT and Special Communications Tax (SCT) receivable	65,840	49,927
Other current assets	4,526	3,374
	991,410	820,302

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

	31 December 2012	31 December 2011
Prepaid rent expense	9,855	10,003
Intermediary services for collection (2)	34,756	24,403
Income accruals	-	4,068
Other non-current assets	14,430	19,940
	59,041	58,414

As of 31 December 2012 non-current income accruals include amounts related with equipment sales to subscribers under campaigns, which have not been invoiced yet and will be collected later than 1 year.

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15. Other current and non-current assets (continued)

	31 December 2012	31 December 2011
Expense accruals (1)	363,151	371,839
Advances received (2)	171,800	170,744
Accrual for capital expenditures (3)	112,306	24,750
Accrual for Universal Service Fund (4)	104,802	108,492
Deferred revenue (5)	79,854	77,880
Accrual for contribution to the ICTA	50,727	44,172
Accrual for the Treasury Share	49,151	43,405
Other payables	13,138	15,526
	944,929	856,808

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

	31 December 2012	31 December 2011
Deferred Revenue (*)	158,717	165,356
Advances taken (**)	77,565	86,064
	236,282	251,420

(*) 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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16. Financial investments

Cetel

	31 December 2012	31 December 2011
Balance at 1 January	11,840	11,840
31 December 2012 Balance	11,840	11,840
	236,282	251,420

Cetel was incorporated as a special purpose entity for the purpose of acquiring the 76% shares of Albtecom Sh. A which is located in Albania and operates in telecommunication industry.

As of 31 December 2012 and 2011, the Company carries Cetel at cost after deducting impairment losses, if any, because of the lack of timely financial information for equity accounting purposes and due to lack of significant influence.

17. 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 729 is continued to be recognized under other comprehensive income. 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. The unamortized portion of old hedge which is recognized under other comprehensive income amounts to TL 1.196.

As of 31 December 2012, notional amount that will be due till 30 September 2013 amounts to US Dollar 79.871 and Euro 9.148.

As of 31 December 2012, fair value of the interest rate swap transactions of Avea amount to TL 5,754 (2011 – TL 35,118). As of 31 December 2012, unrealized interest rate swap loss amounting to TL 1,926 (2011 – TL 16,451) has been recognized under equity reserves. For the year ended 31 December 2012, realized interest rate swap loss amounting to TL 28,059 (2011 – TL 50,255) and unrealized interest rate swap profit amounting to TL 14,839 (2011 – TL 8,482) has been reflected to consolidated income statements.

Accordingly the total unrealized loss recognized under other comprehensive income amounts to TL 1,926.

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17. Other financial investments and other financial liabilities (continued)

Cash flow hedges (continued)

Interest rate swaps (continued)

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 December 2012, fair value of realized interest rate swap transactions amounts to TL 33,177 (2011 – None). The interest rate swaps are assessed to be effective hedges and a net change in fair value of interest rate swaps amounting to TL 33,177 as at 31 December 2012 has been recognized in other comprehensive income.

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 20	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	91,940	28 September 2009	30 September 2013	Pay fixed rates, and receive floating rates, between 31 March 2009 and 30 September 2013	(5,754)
Short term interest rate swaps					(5,754)
Long term interest rate swaps					(33,177)
Company	Notional Amounts (US Dollar)	Trade date	Maturity date	Terms	Fair value amount as at 31 December 2011 (TL)
Avea	361,180	28 September 2009	30 September 2013	Pay fixed rates and receive floating rates between 31 March 2009 and 30 September 2013	(35,118)
Short term interest rate swaps					(31,643)
Long term interest rate swaps					(3,475)

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 December 2012 fair value of derivative transactions amounting to TL 3.226 (2011 – 536) has been recognised under long term financial assets. Unrealised gain on these derivatives amounting to TL 3.266 (2011- TL 536) has been recognised in the consolidated income statement.

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.

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18. Goodwill

The movement of the Group's goodwill is as follows:

31 December 2010	52,873
Currency translation effect	527
31 December 2011	53,400
Currency translation effect	(186)
Pantel goodwill impairment (-)	(4,042)
Sobee goodwill impairment (-)	(438)
31 December 2012	48,734

The Group performs impairment analysis for goodwill and other non-current asset groups as at 30th of November annually. The Group has performed impairment analysis for all of the identified cash generating units.

Türk Telekom and TNet cash generating unit impairment analysis

For cash generating unit impairment analysis of Türk Telekom, total assets and liabilities are considered as one cash generating unit. Recoverable amount is calculated through value in use of the Company based on the 5 years business plan which is approved by the management.

The main assumptions used in the discounted cash flow in TL which was prepared based on the approved budgeted figures prepared until 2017 considers 12,5% discount rate and the weighted average cost of capital (WACC) sensitivity as 2%. For 2017-2026 period, TL cash flow estimations is not projected with consideration of inflation rate of business plan and expected growth rate of the country. As a result, the Group does not require any impairment allowance.

Avea cash generating unit impairment test

The goodwill impairment test has been performed as of 31 December 2012, based on the present value study. All assets and liabilities have been accepted as one cash generating unit for the impairment testing of the TL 29.695 goodwill arising from the acquisition of Avea shares. Recoverable amount is calculated through 5 years business plan which is approved by the management.

Discount rate used for the discount of cash flows for the period that Avea will pay income tax is 13,7% and 14,7% for non-taxable period. Cash flow beyond the ten years are extrapolated using a negative growth rate between 1-4% for TL denominated cash flow projections that is driven by the estimated inflation in the business plan and estimated population growth of the country. Enterprise value of Avea has been tested at a sensitivity of WACC +/- 2%. As a result of the impairment testing, it has been noted that there is no impairment on goodwill arising on the Avea acquisition. The value in use projections are based on a discounted cash flow (DCF) study implemented until 2029

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18. Goodwill (continued)

Innova and Argela cash generating unit impairment test

As of 31 December 2012 the goodwill arising from acquisition of Innova and Argela amounted TL 11,097 and TL 7,943, recoverable amount was determined through the value in use which had been calculated based on the 5 years business plan approved by the management. The estimated value of the projected cash flows consists of the discounted cash flows until 2017. The WACC rates used in valuation are 18.1% and 17.9% for Innova and Argela, respectively and valuation has been tested at a sensitivity of +/- 2%. For the WACC calculation, technology companies have been taken as a benchmark for the calculation of the beta coefficient. As a result of the impairment test, no impairment is noted for the cash generating unit and the goodwill arising from the acquisition of Argela and Innova.

Sobee cash generating unit impairment test

As of 31 December 2012 the goodwill arising from acquisition of Sobee amounts to TL 438, recoverable amount was determined through the value in use which had been calculated based on the 5 years business plan approved by the management. The estimated value of the projected cash flows consists of the discounted cash flows until 2017. The WACC rate used in valuation is 18.9% and valuation has been tested at a sensitivity of +/- 2%. For the WACC calculation, technology companies have been taken as a benchmark for the calculation of the beta coefficient. As a result of the impairment test, a provision amounting to TL 7,616 that is comprised of TL 438 impairment on goodwill from acquisition of Sobee, TL 295 impairment on property plant and equipment and TL 6,883 impairment on intangible assets have been reflected to the consolidated financial statements.

Pantel cash generating unit impairment test

As of 31 December 2012 the goodwill arising from acquisition of Pantel before impairment amounts to Euro 1,514, recoverable amount was determined through the value in use which had been calculated based on the 5 years business plan approved by the management. The estimated value of the projected cash flows consists of the discounted cash flows until 2017. The WACC rate used in valuation is 8% and valuation has been tested at a sensitivity of +/- 0,25%. For the WACC calculation, technology companies have been taken as a benchmark for the calculation of the beta coefficient. As a result of the impairment test, a provision amounting to TL 7,217 that is composing of TL 4,042 goodwill from acquisition of Pantel and TL 3,175 from property plant and equipment is provided.

Sebit cash generating unit impairment test

In cash generating unit impairment analysis for Sebit, total assets and liabilities were considered as one cash generating unit. Recoverable amount was determined through the usage value which had been calculated based on the 5 years business plan approved by the management. The discount ratio used for the cash flows is 17%. The estimated value of the cash flows consists of the ones which were discounted until 2017. The growth rate for the current and subsequent terms was foreseen as %2 by considering the inflation rate stated in cash flow estimations business plan and the estimated growth rate of the country. Cash generating unit value was tested with 2% AOSM sensitivity of the cash flows. As a result of impairment analysis, it has not been determined any impairment in cash generating unit values.

19. Non-current asset Held For Sale

On 30 April 2012, Board of Directors of the Company decided to derecognize 69 pieces of real estate. Selling activities still continues for these assets which are expected to be sold within a year. (31 December 2012 – TL 21,945)

There is no impairment reflected for these assets as the proceeds from the sales is expected to exceed the carrying value of these assets. Depreciation of the buildings are ceased when they are classified to asset held for sale account.

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20. Investment property

The movement of investment property and the related accumulated depreciation for the years ended 31 December 2012 and 2011 is given below:

	1 January- 31 December 2012	1 January- 31 December 2011
Cost		
Opening balance	384,481	384,481
Transfer to land and buildings	(329,093)	-
Transfer to assets held for sale	(14,233)	-
31 December closing balance	41,155	384,481
Accumulated depreciation		
Opening	126,880	110,245
Transfer to land and buildings	(113,043)	-
Transfer to assets held for sale	(10,797)	-
Depreciation charge for the year	7,485	16,635
31 December closing balance	10,525	126,880
Carrying amount as at 31 December	30,630	257,601

Investment property consists of number of buildings and lands mainly occupied by various corporations.

The Group assesses whether there is any impairment indicator in investment properties. If such indicator exists the Group compares fair values and carrying values of the investment properties on an individual asset basis and records identified impairment on the investment properties. As of 31 December 2012 and 2011, the Group has assessed whether there is any indicator that leads impairment on investment property and based on the test performed it is concluded that impairment is not noted.

The Group's investment properties consist of number of buildings and lands. In accordance with balance between cost and benefit principle the fair values of all investment properties are not determined in each year, instead selected investment properties' fair values have been determined. In this context, fair values of the investment properties as of consolidated balance sheet date are not presented.

The Group decided to disclose land and buildings which significant portion of total area is rented as investment property. As at 31 December 2012, investment property with net book value of TL 216,050 and TL 3,436 are reclassified to land and buildings and asset held for sale, respectively.

(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 year ended 31 December 2012 (continued)
(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

21. Property, plant and equipment (PPE)

The movement of PPE and the related accumulated depreciation for the years ended 31 December 2012 and 2011 is given below:

Cost	Land and buildings	Network and other equipment	Vehicles	Furniture and fixtures	Other fixed assets	Construction in progress	Total
Opening balance, 1 January 2012	1,746,694	37,247,919	157,729	383,634	272,281	752,185	40,560,442
Transfers	329,093	550,382	741	18,350	1,108	(601,554)	298,120
Additions	33,514	798,956	2,827	55,583	47,414	535,159	1,473,453
Disposals	(10,961)	(674,981)	(10,482)	(4,736)	(9,022)	(2,546)	(712,728)
Currency translation difference	(253)	(12,113)	(71)	(49)	(29)	(330)	(12,845)
Closing balance, 31 December 2012	2,098,087	37,910,163	150,744	452,782	311,752	682,914	41,606,442
Opening balance, 1 January 2012	637,785	31,438,053	137,551	227,961	220,269	-	32,661,619
Disposals	(2,572)	(636,978)	(8,228)	(4,447)	(6,113)	-	(658,338)
Depreciation charge for the year	89,819	974,939	6,873	71,303	19,834	-	1,162,768
Impairment	-	10,941	-	295	-	-	11,236
Transfers	113,043	5,696	(2,671)	(1,320)	(987)	-	113,761
Currency translation difference	(1)	(627)	(2)	134	10	-	(486)
Closing balance, 31 December 2012	838,074	31,792,024	133,523	293,926	233,013	-	33,290,560
Carrying amount at 31 December 2012	1,260,013	6,118,139	17,221	158,856	78,739	682,914	8,315,882

As of 31 December 2012, net book value of leased assets of Group composes of TL 42,575 land and building and TL 658 network and other equipment (2011: TL 43,809 and building, TL 952 network and other equipment). As disclosed in Note 7, there is a commercial enterprise pledge on all the movable assets of Aria (except for the movables of Aycell). The commercial enterprise pledge secures the Senior Secured Financial Indebtedness commercial of Avea up to a maximum amount of TL 1,000,000.

The Group does not have any capitalized borrowing cost (2011 - None)

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Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

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

21. Property, plant and equipment (PPE) (continued)

Cost	Land and buildings	Network and other equipment	Vehicles	Furniture and fixtures	Other fixed assets	Construction in progress	Total
Opening balance, 1 January 2011	1,724,139	35,939,393	156,694	308,724	234,901	438,580	38,802,431
Transfers	(829)	3,512	(12)	697	822	(11,517)	(7,327)
Additions	67,477	1,347,044	6,365	77,113	42,854	324,681	1,865,534
Disposals	(45,112)	(91,139)	(5,441)	(2,944)	(6,302)	-	(150,938)
Currency translation difference	1,019	49,109	123	44	6	441	50,742
Closing balance, 31 December 2011	1,746,694	37,247,919	157,729	383,634	272,281	752,185	40,560,442
Opening balance, 1 January 2011	573,825	30,548,718	135,079	180,825	202,922	-	31,641,369
Disposals	(13,965)	(70,770)	(4,655)	(929)	(3,388)	-	(93,707)
Depreciation charge for the year	77,807	958,851	7,254	54,177	14,514	-	1,112,603
Transfers	157	(348)	-	(6,055)	6,246	-	-
Currency translation difference	(39)	1,602	(127)	(57)	(25)	-	1,354
Closing balance, 31 December 2011	637,785	31,438,053	137,551	227,961	220,269	-	32,661,619
Carrying amount at 31 December 2011	1,108,909	5,809,866	20,178	155,673	52,012	752,185	7,898,823

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Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

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

22. Intangible assets

Cost	Customer		Brand	Other		Total
	Licence	relationships		intangible assets	Concession rights	
Opening balance, 1 January 2012	1,478,145	1,002,252	302,540	1,608,356	1,121,291	5,512,584
Transfers	-	-	-	14,124	-	14,124
Disposals	-	-	-	(6,275)	-	(6,275)
Additions (*)	-	-	-	455,510	571,973	1,027,483
Currency translation difference	(12)	(3,513)	-	(4,628)	-	(8,153)
Closing balance, 31 December 2012	1,478,133	998,739	302,540	2,067,087	1,693,264	6,539,763
Accumulated amortization						
Opening balance, 1 January 2012	334,521	474,057	82,586	880,177	201,329	1,972,670
Disposals	-	-	-	(1,312)	-	(1,312)
Transfers	-	124	-	929	-	1,053
Amortization charge for the year	74,742	93,967	15,607	259,404	63,490	507,210
Impairment	6,883	3,175	-	-	-	10,057
Currency translation difference	(1)	(174)	-	9	-	(165)
Closing balance, 31 December 2012	416,145	571,149	98,193	1,139,207	264,819	2,489,513
Carrying amount at 31 December 2012	1,061,988	427,590	204,347	927,880	1,428,445	4,050,250
Accumulated amortization						
Opening balance, 1 January 2011	1,477,929	987,892	302,540	1,284,675	980,994	5,034,030
Transfers	203	-	-	14,296	-	14,499
Disposals	-	-	-	(938)	-	(938)
Additions (*)	-	-	-	287,895	140,297	428,192
Currency translation difference	13	14,360	-	22,428	-	36,801
Closing balance, 31 December 2011	1,478,145	1,002,252	302,540	1,608,356	1,121,291	5,512,584
Accumulated amortization						
Opening balance, 1 January 2011	258,382	378,106	66,979	662,761	151,014	1,517,242
Disposals	-	-	-	(565)	-	(565)
Transfers	-	-	-	2,362	-	2,362
Amortization charge for the year	76,152	95,380	15,607	214,735	50,315	452,189
Currency translation difference	(13)	571	-	884	-	1,442
Closing balance, 31 December 2011	334,521	474,057	82,586	880,177	201,329	1,972,670
Carrying amount at 31 December 2011	1,143,624	528,195	219,954	728,179	919,962	3,539,914

(*) Additions amounting to TL 571.973 (2011 - TL 140.297) are comprised of intangible assets under scope of IFRIC 12.

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22. Intangible assets (continued)

As of 31 December 2011, the Group performed impairment test on intangible assets and it has been concluded that there is no impairment. However the Group identified an impairment loss of TL 10.057 in its intangible assets as of 31 December 2012 (Note 18).

Remaining amortization periods of significant intangible assets are as follows:

Avea License	13.1 years
Avea customer relationships	3.8 year
Avea brand name	13.1 years
Pantel customer relationships	12.8 years
Pantel other	17.8 years

There is no restriction or pledge on the intangible assets except for the Avea brand as at 31 December 2012.

3G License Tender

The tender for authorization of IMT-2000 / UMTS services has been held on 28 November 2008 with the participation of all three GSM operators operating in Turkey.

On 3 December 2008, following the approval of the ICTA, a draft Concession Agreement has been initiated by Avea and ICTA and delivered to the Council of State to receive its opinions. Subsequent to receiving the opinion of the Council of State, the Concession Agreement is amended accordingly and approved by ICTA. The license fee (including 18% VAT) amounting to TL 539.332 has been paid by Avea in April 2009 and ultimately the Concession Agreement has been signed on 30 April 2009.

The net book value of the 3G license as at 31 December 2012 is TL 391,408 (2011 – TL 415,131).

GSM 900 Additional Frequency Band Tender

The tender for the reallocation of unused 900 MHz Frequency Bands had been held on 20 June 2008 and Avea had obtained C band with the minimum fee of TL 128 year /channel (excluding VAT).

Avea had been granted 5.5 additional GSM 900 MHz frequency channels as a result of the tender and ultimately total number of GSM 900 MHz frequency channels has reached to 12 together with previously-held 6.5 channels.

After receiving State Council's opinions and approval of the board of ICTA, Avea made TL 14,122 (including VAT) payment as the tender fee for the remaining GSM license duration and amended license agreement has been signed between Avea and ICTA on 25 February 2009.

The net book value of the GSM 900 band license as at 31 December 2012 is TL 9,256 (2011 – TL 9,964).

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23. Provisions

a) Short term provisions

The breakdown of provisions as at 31 December 2012 and 2011 is as follows:

	31 December 2012	31 December 2011
Litigation provision	189,207	155,670
Unused vacation	91,434	84,256
	280,641	239,926

The movement of provisions is as follows:

	Litigation provision	Unused vacation provision	Other
Provisions at 1 January 2012	155,670	84,256	-
Settled provisions	(36,326)	(4,940)	-
Provision for the period	96,025	19,450	-
Reversals	(26,120)	(7,299)	-
Foreign currency translation difference	(42)	(33)	-
Provisions at 31 December 2012	189,207	91,434	-
Provisions at 1 January 2011	210,065	72,271	60
Settled provisions	(23,636)	(3,558)	-
Provision for the period	14,534	21,211	-
Reversals	(45,670)	(5,806)	(60)
Foreign currency translation difference	377	138	-
Provisions at 31 December 2011	155,670	84,256	-

Detailed information regarding lawsuit provisions is provided in Note 26.

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23. Provisions (continued)

b) Long term provisions

	31 December 2012	31 December 2011
Provision for the investments under the scope of IFRIC 12	8,783	11,518
	8,783	11,518

c) Long-term employee 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 December 2012 is subject to a ceiling of full TL 3,033.98 (2011 – full TL 2,731.85) per monthly salary for each service year. Effective from 1 January 2013, retirement pay liability ceiling has increased to TL 3.129,25.

The number of personnel as at 31 December 2012 and 2011 were 37,524 and 34,886, respectively.

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

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23. Provisions (continued)

c) Long-term employee benefits (continued)

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

	1 January- 31 December 2012	1 January- 31 December 2011
Defined benefit obligation at January 1	570,298	622,859
Current service cost	37,281	33,530
Interest cost	48,346	58,680
Actuarial (loss) / gain (*)	109,173	63,541
Benefits paid by the group	(15,940)	(208,269)
"Transfers - net (employees transferred to state enterprises) (Note 30)"	349	-
Foreign currency translation difference	(18)	(43)
	749,489	570,298

(*) As at 31 December 2012, actuarial loss amounting to TL 109,173 (2011–TL 63,541) 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 December 2012	31 December 2011
Present value of defined benefit obligations	749,489	570,298
Unrecognized past service cost	-	(7,703)
Net liability recorded in the balance sheet	749,489	562,595

iii) Total expense recognized in the consolidated income statement:

	1 January- 31 December 2012	1 January- 31 December 2011
Current service cost	37,281	33,530
Interest cost	48,346	58,680
Past service cost	7,703	8,550
Total net cost recognized in the consolidated statement of income	93,330	100,760
Settlement gain recognized (Note 29)	349	-
Total net income recognized in the consolidated statement of income	349	-

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

23. Provisions (continued)

c) Long-term employee benefits (continued)

iv) Principal actuarial assumptions use:

	31 December 2012	31 December 2011
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 0,66% and 7,08% (2011 - 3%).

24. Paid in capital, reserves and retained earnings / (accumulated deficit)

As of 31 December 2012 and 2011, the shareholders of the Company with their shareholding percentage are as follows:

	31 December 2012		31 December 2011	
	%	TL	%	TL
The Treasury	30	1,050,000	30	1,050,000
OTAŞ	55	1,925,000	55	1,925,000
Public share	15	525,000	15	525,000
		3,500,000		3,500,000
Inflation adjustment to share capital		(239,752)		(239,752)
		3,260,248		3,260,248

The Company's share capital is fully paid and consists of 350,000,000,000 shares of 1 kuruş nominal value. OTAŞ is the holder of Group A shares and the Treasury is the holder of Group B and C and partial D shares. Group C share consists only of a single preferred stock.

The Treasury is the holder of the preferred stock (Golden Share) as per the law. This share is non-transferable. It provides certain rights to Treasury in order to protect national interests regarding economy and security. The holder of the Golden Share has the right to approve any proposed amendments to the Company articles of association, the transfer of any registered shares in the Company which would result in a change in the management control of the Company and the registration of any transfer of registered shares in the Company's shareholders' ledger. The holder of the Golden Share, the Treasury, has one member, representing the Golden Share, among the Board of Directors.

As of 31 December 2012, Citicorp Trustee Company Limited has a pledge over 192,500,000,000 Group A shares belonging to OTAŞ which represent 55% of the total company shares.

Shares were pledged to Citicorp Trustee for the term loan agreement between OTAŞ and Citicorp Trustee. The OTAŞ Term Loan agreement provides certain limitations with respect to dilution, sale and transfer of shares in OTAŞ, the Company and Avea.

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Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)
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24. Paid in capital, reserves and retained earnings / (accumulated deficit) (continued)

Based on the articles of association of the Company, the board of the directors of the Company shall consist of 12 directors.

The board of directors shall be composed of 12 members nominated by the Shareholders as follows:

- The Group A Shareholder shall be entitled to nominate 7 persons for election as Directors;
- provided that the Treasury as Group B Shareholder shall hold:
 - 30% or more of the shares, the Treasury shall be entitled to nominate 4 persons for election as Independent Board Members who carry the independence criteria as defined in the Capital Market legislation; or
 - 15% or more of the Shares (but less than 30% of the Shares) the Treasury shall be entitled to nominate 2 persons for election as Independent Board Members who carry the independence criteria as defined in the Capital Markets legislation;
 - During the calculation of 15 % and 30 % of the Shares mentioned in above paragraphs, the amount of Group B Shares and Group D Shares held by the Treasury shall be taken into account together.
- as long as the Treasury holds 15% or more of the shares (but less than 30% of the shares), the Group A shareholder shall be entitled to nominate 2 persons, who carry the independence criteria as defined in the Capital Markets legislation, for election as Independent Board Members and 7 persons for election as Director.
- while the Treasury holds the C Group Privileged Share, the Treasury shall be entitled to nominate a further 1 person for election as director for the C Group Privileged Share.

The chairman of the board of directors shall be nominated by the directors nominated by the Group A shares from among the directors and be elected and removed by the simple majority votes of those present at the meeting of the board of directors.

Board resolutions shall be passed by a simple majority of the votes of the directors present at such meeting unless the resolution requires a higher majority vote.

The board of directors shall propose the distribution of the maximum of the Company's profits lawfully available for distribution in each financial year subject to the board of directors making reasonable provisions and transfers to reserves. Provided that it is not against the legislation regarding capital markets, the net profit may not be distributed, if:

- the distribution would result in a breach of any covenant or undertaking given by any group company (group companies are defined in the articles of association) to any lender or would, in the opinion of the simple majority of those present at the relevant meeting of the board of directors, be likely to cause such breach within the following 12 months; or
- the board of directors resolves by way of a simple majority of those present at the relevant meeting of the board that the distribution is materially prejudicial to the interests of any group company defined in the articles of association having regard to: (i) implementation of the investment program approved by the board of directors in the business plan or the budget; or (ii) the trading prospects of the group companies defined in the articles of association and the need to maintain the sound financial standing of the group companies.

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24. Paid in capital, reserves and retained earnings / (accumulated deficit) (continued)

In accordance with the Turkish Commercial Code, companies are required to assign legal reserves before profit appropriations. The legal reserve consists of first and second legal reserves, allocated in accordance with the Turkish Commercial Code. The first legal reserve is allocated out of last period's statutory profits at the rate of 5% per annum until the total reserve reaches 1/5 of the paid-in share capital (not indexed to the inflation). The second legal reserve is allocated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. The Company's 2012 consolidated net income has been compared with its 2012 statutory net income and after appropriation of first legal reserve, TL 2.637.107 was determined as an amount available for dividend distribution.

Dividends

During the year ended 31 December 2012, remaining balance of 2011 distributable profit after assigning first and second legal reserves, which amounted to TL 1,896,525 (a dividend of full kuruş 0.5419 per share) has been committed to be distributed and distributed in cash to the shareholders.

During the year ended 31 December 2011, remaining balance of 2010 distributable profit after assigning first and second legal reserves, which amounted to TL 2,243,961 (a dividend of full kuruş 0.6411 per share) has been committed to be distributed and distributed in cash to the shareholders.

Other reserves

The amounts transferred directly to equity, instead of income statement as of the balance sheet date are as follows:

	31 December 2012	31 December 2011
Minority put option liability reserve (Note 11)	(180,715)	(779,383)
Share based payment reserve (Note 24)	9,528	9,528
Difference arising from acquisition of subsidiary	(858,134)	(308,634)
Reserve for hedge of net investment in a foreign operation	(29,648)	(37,976)
Cash flow hedge reserve	(28,275)	(13,386)
Actuarial loss arising from employee (Note 22)		
	(1,427,923)	(1,382,596)

Difference arising from acquisition of subsidiary

The acquisition of Avea shares has been effected through four steps in different years (40% in February 2004 through the merger of Aycell with Aria, 0.56% through an equity increase in May 2005 and finally 40.56% through the acquisition of İş TIM shares on 15 September 2006. Therefore, during the accounting of the latest acquisition of 40.56% shares on 15 September 2006, the first two acquisitions comprising a total shareholding of 40.56%, which have been accounted for using the equity method in the financial statements prior to 15 September 2006 have been re-measured to their fair values based on the fair value financial statements of Avea prepared as of 15 September 2006 for the purpose of the purchase price allocation based on IFRS 3. The result of the re-measurement amounting to TL 294,065 has been reflected as "difference arising from change in shareholding rate in a subsidiary" in equity. In 2009 and 2012, the Company has increased its ownership within Avea with a rate of 0.19% and 8.87% and the difference in minority interest, TL 14,569 and TL 549,500, has been reflected under difference arising from change in shareholding rate in subsidiary" in equity.

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24. Paid in capital, reserves and retained earnings / (accumulated deficit) (continued)

Reserve for hedge of net investment in a foreign operation

The Company recognises the differences arising on the translation of monetary items that are associated with the hedge of net investment in a foreign operation in other comprehensive income. (Note 17)

Cash flow hedge reserve

The Group entered into interest rate swaps in order to hedge its position against changes in interest rates. Accordingly, effective portion of the fair value changes of these instruments are recognised directly in equity at cash flow hedge reserve. (Note 17)

Minority interest

The minority interest represents 10,01% shareholding of İş Bank Group in Avea as at 31 December 2012. As of 31 December 2012, minority interests are classified to other non-current liabilities and are remeasured at fair values based on the Group's accounting policy applied during the accounting of minority put option. The movement of minority interest is as follows:

As of 31 December 2010	-
Reclassification to minority interest	(56,954)
Share of loss generated between 1 January 2011 and 31 December 2011	(169,150)
Minority share in unrealized gain on derivative financial instruments recognized under equity	5,358
Minority share in actuarial gain / (loss) recognized under equity	(387)
Reclassification to other non-current liabilities (Note 11)	221,133
As of 31 December 2011	-
Reclassification to minority interest	(221,133)
Share of loss generated between 1 January 2012 and 31 December 2012	(43,977)
Minority share in unrealized gain on derivative financial instruments recognized under equity	1,987
Minority share in actuarial gain / (loss) recognized under equity	(500)
Difference due to the change in shareholding rate in a subsidiary	550,468
Reclassification to other non-current liabilities (Note 11)	(286,845)
As of 31 December 2012	-

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24. Paid in capital, reserves and retained earnings / (accumulated deficit) (continued)

The calculation of the basic earnings per share attributable to the ordinary equity holders of the Company is as follows:

	1 January- 31 December 2012	1 January- 31 December 2011
Weighted average number of ordinary shares outstanding during the year	350,000,000,000	350,000,000,000
Net profit for the year attributable to equity holders of the Company	2,637,107	2,068,676
Basic and earnings per share (in full kuruş)	0.7535	0.5911

25. Share based payment

According to the Turkish Council of Ministers decision dated 12 December 2007, which was published in the Turkish Official Gazette on 26 December 2007, 52.500.000.000 (45%) shares of Türk Telekom owned by the Treasury, the minority shareholder of Türk Telekom, has been sold as at 15 May 2008, through an initial public offering ("IPO") (such shares correspondence to corresponding to 15% Türk Telekom's shares). During the IPO, 12.299.160.300 of such shares have been allocated to the employees of Türk Telekom, PTT and small investors together with 5.220.503.800 shares allocated to domestic investors with high purchasing power with discounted price varying according to the payment terms and application date (compared to the price applied to the other corporate investors for the remaining shares of 34.980.335.900. The discounts provided to Türk Telekom employees have been considered as within the scope of IFRS 2 ("Share Based Payment") by the management of Türk Telekom considering the fact that Türk Telekom receives services from its employees. The Group has reflected the fair value of the discounts provided to Türk Telekom employees, amounting to TL 9.528, as an expense in the consolidated income statement for year ended 31 December 2008 and credited the same amount into the equity as a share based payment rese

The market price during the IPO	TL 4.60
The average price applied to the employees of Türk Telekom	TL 4,2937
The number of shares sold to Türk Telekom's employees (lot)	31,104,948
Total benefits provided to the employees	TL 9,528

The management of Türk Telekom decided that the discounts provided to PTT's employees, small investors and domestic investors with high purchasing power are not within the scope of IFRS 2 by considering the fact that

- Türk Telekom has not received any benefits (goods and services) in exchange for the discounts provided these groups to and
- the Treasury provided these discounts not as a party acting as a shareholder of Türk Telekom but rather as a State Authority in order to increase the number of small investors as it has been done in all other privatization enhanced through an IPO.

The fair value of the discounts provided to these groups amounts to approximately TL 34,000 in 2008, at the year of the transaction.

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)
(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

26. Commitments and contingencies

Guarantees received and given by the Group are summarized below:

	31 December 2012		31 December 2011		
	Original currency	TL	Original currency	TL	
Guarantees received	USD	276,378	492,671	230,191	434,808
	TL	718,981	718,981	707,501	707,501
	Euro	92,155	216,721	85,316	208,495
	Sterling	8	23	8	23
		1,428,396			1,350,827
Guarantees given (*)	USD	160,402	285,933	153,539	290,020
	TL	171,901	171,901	187,042	187,042
	Euro	121,324	285,318	16,429	40,149
	Other	-	-	115	65
Total		743,152			517,276

(*) US Dollar 151,500 of the amount (2011-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 (2011 - Euro 12,840) license.

The Company's guarantee, pledge and mortgage (GPM) position as at 31 December 2012 and 2011 is as follows:

	31 December 2012	31 December 2011
GPMs given by the Company		
A.GPMs given on behalf of the Company's legal personality	2,324,106	2,055,556
B.GPMs given in favor of subsidiaries included in full consolidation	1,535,164	1,624,730
C.GPMs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	-	5,646
D.Other GPMs	18,814	19,550
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	18,814	19,550
iii. GPMs given in favor of third party companies not in the scope of C above	-	-
	3,878,084	3,705,482

(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 year ended 31 December 2012 (continued)
(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

26. Commitments and contingencies (continued)

GPMS given by the Group as at 31 December 2012 are equivalent to 0.29% of the Company's equity (31 December 2011 – 0.34%).

Based on law 128/1 of Turkish Code of Obligations, Avea has given TL 50,000 amounting 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.

Other commitments

The Group has purchase commitments for sponsorships and advertising services at the amount of 110,183 US Dollar and TL 4,250, equivalent to TL 200,663 (31 December 2011 – TL 202,469) as at 31 December 2012. Payments for these commitments are going to be made in a 9 - year period.

Türk Telekom concession agreement

The Concession Agreement was entered into between the Company and ICTA on 14 November 2005 following the privatization of the Company and the resultant reduction in the public shareholding to less than 50%. The Concession Agreement covers:

- the provision of all kinds of telecommunications services;
- the establishment of necessary telecommunications facilities and the submission of these facilities to the use of other operators;
- the marketing and supply of telecommunications services.

The Concession Agreement places an obligation on the Company, in the event of expiry, non-renewal or termination of the Concession Agreement, to transfer all equipment affecting the operation of the telecommunications network, together with all immovable properties where such equipment is installed, to the ICTA, at no cost, and in good condition.

The ICTA may terminate the Concession Agreement following a court decision on bankruptcy against the Company (or a declaration of concordat by the Group) or an unremedied breach of obligations. However, the Company must be given a grace period of at least 90 days in order to remedy any breach. Within any such grace period granted by the ICTA, the Company must submit to the ICTA a recovery program with respect to its contractual obligations. It is only if this program is not accepted by the ICTA that the ICTA then has the right to terminate the Concession Agreement.

The Concession Agreement places also a number of general obligations on the Company in relation to the provision of telecommunications services.

(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 year ended 31 December 2012 (continued)
(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

26. Commitments and contingencies (continued)

Türk Telekom concession agreement (continued)

In relation to fees, the Concession Agreement requires the Company to meet all payments accrued as a result of applicable legislation or agreements with the Government of the Republic of Turkey. This specifically includes license and utilization fees for the use of radio frequencies. In addition, the Company is required to pay the ICTA 0,35% of its annual revenue, as a contribution towards the ICTA's expenses.

Under the Concession Agreement, the Company must comply with requests from other operators for access and/or interconnection without discrimination and to the extent technically possible. The Company is further required to publish a reference access and interconnection offer approved by the ICTA. The Concession Agreement also contains an obligation on the Company to provide services in compliance with any regulations made by the ICTA in accordance with the law on the Provision of Universal Services. According to the relevant legislation, the Company must pay an annual fee of 1% of revenues for the Universal Service Fund.

The tariffs to be charged by the Company must be calculated on a cost-orientated basis, without discrimination, and are subject to the approval of the ICTA unless expressly provided to the contrary in any regulation issued by the ICTA. The specific content of customer bills is governed by regulation. However, the cost of each service provided to a customer must be identified and a detailed bill must be sent to the customer on request, to the extent technically possible and subject to the payment of a fee.

Other provisions of the Concession Agreement provide for the confidentiality of communications and the establishment of effective methods to answer customer complaints.

Avea concession agreement

A concession agreement was entered into between Avea and the ICTA ("the Avea Concession Agreement") on 12 January 2005 which replaced and superseded the previous GSM 1800 license agreements in place in relation to Aycell and Aria. After GSM 900 Frequency Band bidding done by ICTA on June 20, 2008, agreement was rearranged.

The Avea concession agreement covers the establishment, development and operation of a GSM 1800 network and delivery of the system to the Authority or the establishment to be designated by the Authority at the end of the contracted term as being in an operating condition.

Pursuant to the Avea Concession Agreement, Avea was granted to use 75 channels in the 1800 MHz band and 12 channels in the 900 MHz band. The term of the Avea Concession Agreement is 25 years from 11 January 2001.

Avea may apply to the ICTA for renewal between dates 24 and 6 months before the end of Avea Concession Agreement. ICTA may renew the license of Avea by evaluating the renewal request according to legislation on that date.

In the event of expiry or non-renewal, Avea is under an obligation to transfer the network management centre, being the central operation units of the GSM 1800 system, gateway switchboards and central subscription works systems (including all kinds of technical hardware), together with all equipment affecting the operation of the system and the immovable properties used by Avea to the ICTA or to the establishment to be designated by ICTA at no cost.

(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 year ended 31 December 2012 (continued)
(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

26. Commitments and contingencies (continued)

Avea concession agreement (continued)

Avea is also committed to renew the network in line with technological improvements and international agreements and maintain the adequacy of the network by means of technology until the end of the agreement.

License fees were paid prior to the issuance of the concession agreement.

Avea provided a performance bond in the amount of US Dollar 151,500. Avea, additional to that bond, provided performance bond amounting TL 760,320 corresponding to 6% of bidding amount after GSM 900 Additional Frequency Band bidding by ICTA on 20 June 2008. Should the operator is understood to not perform its contractual obligations, the Authority shall record and confiscate the final guarantee as income.

The Avea Concession Agreement provides that the license may be transferred with the approval of the ICTA and within the terms of the Authorization Ordinance. However, no transfer may be made to an entity which already has a GSM 900 or GSM 1800 license in Turkey, or to related parties of such an entity, to the companies or subsidiaries which is owned or managed somehow by shareholders of entity or to the management of such entity and their first and second blood relatives and relative affinities. In cases such issues are determinate; GSM 1800 license given to them by ICTA is cancelled.

Regarding transfer of shares regulation clauses at the date of the transaction will be applied. The approval of the Competition Authority is also required for any change of control, being a transfer of the shares.

Fund payable to the Treasury

Avea will pay an amount equal to 15% of the gross sales on a monthly basis to the Treasury, except for the default interest imposed on their subscribers for their late payments, indirect taxes, financial obligations such as charges and fees, and the accrual amounts accounted for reporting purposes

Contribution share to the ICTA

Avea shall pay 0,35% of the gross sales to the ICTA as contribution share to the ICTA's expenses, latest on the last working day of April of the following year.

Coverage area

Avea has guaranteed and undertook to cover (up to 2 Watt outdoors) at least 50% of the population of Turkey within three years after 11 January 2001 and at least 90% of the population of Turkey within five years after 11 January 2001. However, the localities where there are less than 10,000 inhabitants shall not be taken into consideration. This coverage area refers to the area to be covered by Avea alone, and will not be contributed by national roaming. Upon request of the ICTA, yearly utmost two settling areas shall be covered with priority by Avea.

Avea has completed its related liabilities with respect to coverage at 31 December 2004.

Service offerings

Avea agrees and undertakes to provide the services specified within the frame of GSM memorandum of understanding applied by GSM association including, but not limited to the services specified by GSM license agreement (call forwarding, barring of outgoing and incoming calls, technical assistance for subscribers and free call forwarding to police and other public emergency services).

(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 year ended 31 December 2012 (continued)
(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

26. Commitments and contingencies (continued)

Avea concession agreement (continued)

Service quality

Avea will comply with the telephone service quality standards set down in the International Telecommunication Union ("ITU-T") recommendations in the GSM 1800 international standards. These standards require blocking rate of the licensed network to be 5% and the call failure rate not to be more than 2%.

Tariffs

Avea may freely determine its tariffs provided that these tariffs are not contrary to the regulations of the ICTA.

Emergencies

Avea will take the necessary measures with priority in order to satisfy the requirements and the needs of subscribers and users in emergencies, provided that the public authorities and enterprises will have priority in the case of health and security emergencies or fire and other disasters. Avea has to provide at least two base stations for the use of Ministry of Transportation in emergency.

Investment plans

Pursuant to the relevant regulation, by the first day of September every year, Avea will present its investment plan for the following calendar years to the ICTA. These plans will be valid for 3 years and will contain information about the dynamic demand forecasts, and number and locations of the exchange stations, base stations and base control stations to be established, the period of operation, and the investment costs. Within 120 days of receipt of the investment plan, the ICTA will approve the compliance of plans to the article 6th of the agreement. Investment plan will be presented so as to inform the ICTA after the requirements arising from the article 6th of the agreement are met.

National roaming

Avea may enter into contracts with other licensed GSM networks in Turkey for national roaming purposes. Roaming contracts and the financial clause of the contracts has to be presented to ICTA before signature procedures completed.

Suspension of operations

If deemed necessary for public security and national defense in case of war, general mobilization, etc. the Authority may temporarily or permanently suspend all or a part of the operational activities of Avea and may directly operate the network. The period of suspension as above will be added to the term of the license and the income of such a period, if any, will belong to Avea.

(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 year ended 31 December 2012 (continued)
(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

26. Commitments and contingencies (continued)

Avea License agreement (continued)

Termination of the agreement by the ICTA

The ICTA may cancel the license or terminate the Agreement for the following reasons;

- i) A final judgment of the competent courts for insolvency of Avea or its composition with creditors,
- ii) Failure of Avea to perform its contractual obligations hereunder and to remedy its default in a reasonable period of time granted,
- iii) Determination that Avea extends its activities beyond the frequencies allocated hereunder or other frequencies that may be allocated by the Ministry to Avea for use in the GSM 1800 System, and failure of Avea to cease such activities in a reasonable period of time granted,
- iv) Failure of Avea to pay the license fees hereunder.

However, that except for point (iv) above, Avea will be given the opportunity to fulfill its obligations within a period not less than 90 days of written notice by the ICTA. During this period of time, Avea will furnish to the ICTA a corrective action program for fulfillment of its obligations. If this program is accepted by the ICTA, the points of disagreement will be revised at the end of the program. If this program is not acceptable, the ICTA may terminate the Agreement at the end of the time period provided to Avea.

Upon termination of the Agreement, Avea shall transfer all of the GSM 1800 system equipment to the ICTA without any remuneration.

Insurance

Avea will maintain adequate all risk insurance for the telecommunication facilities and services established and operated until the end of the license term.

Electronic communication authorization

Avea is obligated to deposit the usage right fee (including VAT) arising from dedication of the numbers and frequencies for itself to the accounting department in order to record as income for the Treasury by the end of January for every year and also to send the receipt of the payment to the ICTA.

3G License authorization

The Concession Agreement with ICTA has been signed on 30 April 2009 and Avea has been granted with 3G license for an amount of Euro 214.000 excluding VAT. The term of the license is 20 years effective from the signature date of the Agreement. 3G services have been launched on 30 July 2009. According to this Agreement;

- Avea shall provide subscribers' and users' 112 calls and other emergency situation calls to public security institutions and other public institutions, and to direct those calls to the centers requested by the said institutions, free of charge bearing all costs.
- Avea shall keep at least 2 units of IMT-2000/UMTS mobile base stations to be used in emergency situations under the request of the Ministry of Transport and Communication.
- Within the first 5 years by the signature of the Agreement, Avea shall obtain the approval of the ICTA for each assignment of Avea shares in ratio exceeding 10% to persons and entities other than the current shareholders and subsidiaries of the current shareholders. Any type of share assignment leading a change in the control of Avea shall be subject to the approval of the ICTA
- Avea has granted a bank letter of guarantee amounting to Euro 12,840 which is 6% of the license fee, for to act as final guarantee. Should the Avea is understood to not perform its contractual obligations; ICTA shall record and confiscate the final guarantee as income. In such confiscation of final guarantee as income is realized, Avea shall grant new final guarantee within 30 days. Should the new final guarantee not granted within the said period, the Agreement might be terminated.

(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 year ended 31 December 2012 (continued)
(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

26. Commitments and contingencies (continued)

3G License authorization (continued)

- During the term of the Agreement, Avea shall each year submit its investment plan related to the subsequent calendar year, till 1 November to the ICTA. This plan shall be prepared for three years and shall include such information as the number, location, coverage areas, investment costs with respect to exchange centres, base stations and control stations to be established, as well as the realization ratio of the previous year's investment plan and reasons of deviation, if any.
- Avea will pay an amount equal to 15% of the gross sales on a monthly basis to the Treasury, except for the default interest imposed on their subscribers for their late payments, indirect taxes, financial obligations such as charges and fees, and the accrual amounts accounted for reporting purposes.
- Avea shall pay 0.35% of the gross sales to the ICTA as contribution share to the ICTA's expenses, latest on the last working day of April of the following year.

Coverage Area Obligations:

Following the signature of the Agreement, Avea shall have under coverage the population within the borders of;

- metropolitan municipalities within 3 years,
- all the municipalities of all provinces and districts within 6 years,
- all the residential locations having a population of more than 5,000 within 8 years,
- residential locations having a population of more than 1,000 within 10 years.

These are the areas which are to be covered by Avea alone and this obligation shall not be fulfilled through roaming.

Avea should maintain service quality in accordance with ICTA regulations, ETSI (European Telecommunications Standards Institute) standards and standards, decisions and recommendations given by ITU.

Upon request of the ICTA, yearly utmost two settling areas shall be covered with priority by Avea.

If there is any delay in fulfillment of the coverage area obligations, except the force major conditions, an administrative fine shall be applied within the frame of Relevant Legislation. If there is any delay in fulfillment of the coverage area obligations for a period of more than two years, then the Agreement might be terminated by the ICTA.

The Investments for hardware and software being used in the electronic communications network

Except for the investments made in the lease of place, towers, piles, pipes, containers, channels, energy, transfer lines and similar infrastructure plants; each year Avea shall fulfil the following requirements for its investments related to electronic communications network (hardware, software etc.);

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Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)
(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

26. Commitments and contingencies (continued)

The Investments for hardware and software being used in the electronic communications network (continued)

a) To procure at least 40% of such investments from vendor companies employing a R&D centre established in Turkey and engaged in developing R&D projects in relation with the information and communication technologies provided at least 200 engineers functioning in such company in the first year after the signature of the Agreement, at least 300 engineers in the second year and at least 500 engineers for the third and subsequent years or from vendor companies employing a R&D center with at least 150 engineers functioning in the first year after the signature of the Agreement, at least 250 engineers in the second year and at least 350 engineers for the third and subsequent years however such company to employ also a Technical Assistance Centre with at least 50 engineers in the said first year, at least 100 engineers in the second year and at least 150 engineers in the third and subsequent years.

A vendor company may not establish the R&D center and Technical Assistance Centre together with another vendor company; but may establish with a company, organization or institution resident in Turkey. The vendor company shall have at least 50% share of such centers. Said organization or institution resident in Turkey shall not employ other R&D centers and Technical Assistance Centers that have been established together with other vendor companies functioning in information and communication technologies area.

The university associates may also be employed part time, as engineers to be employed by the vendor company. The number of the university associates may not exceed 5% of the total number of engineers stated above.

Avea is obliged to perform its investments regarding the electronic communications network by auditing and determining whether vendor companies comply with the foregoing terms and conditions.

b) To procure at least 10% of such investments from the vendors in quality of Small and Medium Sized Entities and established in Turkey for the purpose of product and system development.

All the independent software and hardware units to be used in the network of Avea shall have open interface connections with each other.

ICTA may perform audits regarding the execution of this obligation or may commission another organization or institution to perform such auditing when deems necessary. The costs to arise from such audits shall be borne by Avea.

Should Avea is understood to procure goods and services through methods against the foregoing terms and conditions, an administrative monetary penalty shall be applied to Avea up to 1% of its turnover of the previous calendar year.

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Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)
(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

26. Commitments and contingencies (continued)

Should Avea not perform the said obligations, a penalty as 40% of total amount of its investments in the network (hardware, software etc.), except for the investments for lease of place, towers, piles, pipes, containers, channels, energy transfer lines and similar infrastructure plants, shall be applied separately to Avea for each year. This clause is valid for the first three years following the signature date of the Agreement.

Termination of the Agreement by ICTA:

The Authority might terminate the Agreement for the following reasons;

- A bankruptcy or bankrupt's certificate decision on Avea given by the judicial authorities,
- Avea not performing some of its contractual obligations and not correcting such breach in the given period,
- Avea operating under the frequencies other than the ones allocated to itself by ICTA,
- Termination of Avea Concession Agreement
- Avea not performing national roaming obligation stated in the contract

In such circumstances, ICTA gives Avea the opportunity to fulfil its obligations within 90 days after the written notice. In case Avea can not fulfil all the obligations within this period, the Agreement will be terminated by ICTA. The license fee or any other fee is not reimbursable in case of a termination of agreement. In the case of cancellation of agreement by ICTA, Avea will alienate all data and documents which constitute system, software affecting the running of system (including tower, beam, blare, container, channel, energy transmission lines, antenna etc), stated and in the usage of Avea to ICTA or to the entity ICTA enounces by making sure that there is no pledge, mortgage, levy and related legal blockages on the mand they are free of cost and works free of problems.

Legal proceedings of Türk Telekom

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

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

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 has reflected a provision for such cases amounting to TL 103,400 including the interest and principal amount, to the consolidated financial statements for the year ended on 31 December 2012 (31 December 2011- TL 49,671).

The Dispute arising out of Turkcell's illegal voice traffic through Millenicom

The lawsuit was filed against Turkcell for the reason that Turkcell carried voice traffic through Milleni-com GmbH, a company based in Germany, by breaching the Network Interconnection and Cooperation Agreement between Turkcell and the Company and that caused damage amounting to TL 450,931 to the Company. In the hearing of the lawsuit dated 5 November 2009, the 7th Commercial Court of First Instance of Ankara decided unanimously in favor of the Company and partially accepted the Company's claims.

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Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)
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26. Commitments and contingencies (continued)

Legal proceedings of Türk Telekom (continued)

The Dispute arising out of Turkcell's illegal voice traffic through Millenicom (continued)

Consequently, Turkcell was condemned to pay a total of TL 279,227, (TL 137,733 of which is the principal amount and TL 141,494 of which is the default interest) to the Company. Furthermore, beside the default interest to be added to the principal amount which shall be calculated on the basis of Turkish Central Bank commercial advance interest rate as from the filing date namely 5 August 2005, according to clause 12.3 of the Network Interconnection and Cooperation Agreement signed between Turkcell and the Company and amended by clause IX of the Annex Protocol dated 20 September 2003, a default penalty of 10% shall also be applied.

The Council has designated 19th Civil Chamber as competent by its decision dated 23 September 2010, numbered E:2010/740 and K:2010/900. The 19th Chamber announced its decision No: 2010/11229-2011/4716 on 11 April 2011 and with the decision taken by the Supreme Court of Appeals as a result of the appellate review, it was approved that Türk Telekom is right, stating that Turkcell violated the Company's monopoly right and this is against law and the interconnection agreement between Turkcell and Türk Telekom.

In addition, it was stated in the Court decision that the objections by both parties against the expert reports regarding the calculation of compensation and objections to the first instance court are not fully responded and covered thereby and therefore it is decided that the file will be returned to first instance court in order to enable an expert calculation which is in line with Court review. Turkcell on 11 March 2011 and Türk Telekom on 25 March 2011 applied to "revision of decision" mechanism against the aforementioned Supreme Court of Appeals decision. By the decision of 19th Chamber of Supreme Court, dated October 3, 2011 and numbered E.2011/8668 and K.2011/11802, appeal demand of both parties has been rejected. In the decision of 19th Chamber of Supreme Court related to appeal demand, Supreme Court has exactly resolved as Turk Telekom is justified about lawsuit and indicated that only it is necessary, first degree court should make decision by having a re-calculation in the case of indemnification. Thus, the case (registered to folder of E.2011/644) is again returned to Ankara 7th Commercial Court. The next court hearing will take place at 13 March 2013.

In the consolidated financial statements, the Company has not accrued income accrual for this case to be prudent, since the case is still in progress.

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Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)
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26. Commitments and contingencies (continued)

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.,66 (2011 – TL 20,327) has been provided in the consolidated financial statements for the ongoing cases.

Disputes between the Company and Istanbul Metropolitan Municipality

Total amount filed against the Company by Istanbul Metropolitan Municipality with the claim that the contribution to the infrastructure investment fund and municipality share have not been paid by the Company is TL 26,855. A total provision amounting to TL 49,739 (2011 – TL 69,518) including the principal amount and legal interest charges has been reflected to consolidated financial statements as at 31 December 2012.

Legal proceedings of Avea

Monetary penalties to Avea by Ministry of Finance and penalty provisions

Avea made settlement with Major Taxpayer Office (BMVD) about the SCT assessment over discounts relating to 2006 – December 2009 period. As a result of this settlement, it has been agreed that Avea will pay TL 19,296 (2011 - TL 3,915). As of 31 December 2012, Avea paid the settlement amount therefore no provision is reflected to the consolidated financial statements.

The Company has recognized a provision amounting to TL 935 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 December 2012 (2011 - TL 4,717).

Disputes between the Group and the ICTA

The Company has filed various lawsuits against ICTA. These lawsuits are related with the sector-specific and tariff legislations and legislations with respect to the other operators in the market. The sector-specific disputes generally stem from the objections with respect to the provisions of interconnection legislation, legislation with respect to telecommunication services and infrastructure. As of 31 December 2012 TL 8,713 provision provided for ICTA penalties (2011: None).

Other issues

For the cases which are probable to be concluded against the Group with a total amount of TL 40,176, the Group has reflected provision to the financial statements amounting to TL 19,654 as at 31 December 2012 (2011 – TL 42,587) (Note 22) based on the lawyers' assessments. 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.

27. Events after the balance sheet date

None.

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Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)
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28. Operating expenses (including cost of sales)

	1 January- 31 December 2012	1 January- 31 December 2011
Cost of sales (-)	(6,102,075)	(5,279,179)
Marketing, sales and distribution expenses (-)	(1,864,926)	(1,906,793)
General administrative expenses (-)	(1,466,258)	(1,343,036)
Research and development expenses (-)	(31,177)	(27,054)
	(9,464,436)	(8,556,062)

29. Operating expenses (based on their nature)

	1 January- 31 December 2012	1 January- 31 December 2011
Personnel expenses	(2,098,885)	(2,068,258)
Domestic interconnection	(838,717)	(617,956)
Taxes	(832,647)	(792,822)
IFRIC 12 expenses	(503,436)	(126,346)
Commission expenses	(487,866)	(486,718)
Repair and maintenance expenses	(433,574)	(404,228)
Advertisement expenses	(419,021)	(488,439)
Rent expenses	(376,221)	(347,618)
Utilities	(328,181)	(272,682)
International interconnection	(328,178)	(300,692)
Promotion expenses	(234,682)	(225,200)
Outsourced services	(193,846)	(174,802)
Bill distribution expenses	(140,056)	(158,040)
Content expenses	(61,910)	(52,083)
Court expert expenses	(56,723)	(42,920)
Revenue sharing project expenses	(45,235)	(43,953)
Vehicle expenses	(40,115)	(33,382)
Consulting expenses	(36,319)	(39,276)
Cost of Sales of technology companies	(33,363)	(36,017)
Management Fee	(19,968)	(14,758)
Doubtful receivable expenses	(18,541)	(4,805)
Other expenses	(240,300)	(248,537)
Total operating expenses (excluding depreciation and amortization expense)	(7,767,784)	(6,979,532)
Depreciation, amortization and impairment	(1,696,652)	(1,576,530)
Total operating expenses	(9,464,436)	(8,556,062)

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

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30. Other operating income / (expenses)

	1 January- 31 December 2012	1 January- 31 December 2011
Gain on scrap sales	129,955	35,967
Gain on fixed asset sales	54,430	28,410
Income from litigation	32,195	26,660
Indemnity income	27,954	40,704
Commissions income	10,418	6,413
Income on release of bad debt provision (Note 8)	4,369	8,477
Curtailed and settlement gain	349	-
Rental income	4,576	3,017
Other	52,773	92,428
Other operating income	317,019	242,076
Litigation provision expense	(68,602)	(57,025)
Loss on fixed asset sales	(12,133)	(22,719)
Special Consumption Tax and other expenses	(8,804)	(3,176)
Other	(69,455)	(43,142)
Other operating expense (-)	(158,994)	(126,062)

31. Financial income / (expense)

	1 January- 31 December 2012	1 January- 31 December 2011
Foreign exchange losses	(444,253)	(871,351)
Interest expense	(311,948)	(237,609)
Loss on derivative instruments	(30,085)	(68,035)
Other	(119,523)	(110,134)
Financial expense	(905,809)	(1,287,129)
Foreign exchange gains	647,409	142,701
Interest income on bank deposits and delay charges	204,159	208,801
Derivative instruments	18,265	11,882
Other	2,647	32,337
Financial Income	872,480	395,721
Financial (expense) net	(33,329)	(891,408)

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32. Taxation on income

	31 December 2012	31 December 2011
Corporate tax payable:		
Current corporate tax provision	757,070	718,629
Prepaid taxes and funds (-)	(631,665)	(547,754)
Tax payable	125,405	170,875
	1 January- 31 December 2012	1 January- 31 December 2011
Tax expense:		
Current tax expense		
Current income tax expense	(754,988)	(728,123)
Adjustments in respect of income tax of previous year	(6,249)	(6,343)
Deferred income / (expense) (Note 14)		
Deferred tax expense due to derecognition of deferred tax asset	(6,500)	(1,503)
Deferred tax income due to tax losses	284	2,249
Deferred (expense) / income tax credit	(5,819)	24,147
	(773,272)	(709,573)

As of 31 December 2012, total amount of corporate and deferred tax related to transaction recognised under equity is TL 87,932 (2011 – TL 58,377).

As of 31 December 2012, deferred tax amounting to TL 27,457 (2011 – TL 21,787) and TL 2,082 amounted current tax were recognized under the consolidated statement of other comprehensive income.

The Company and its subsidiaries located in Turkey is subject to taxation in accordance with the tax regulations and the legislation effective in Turkey where the Group companies operate. In Turkey, the corporation tax rate is 20% (2011 – 20%). Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one instalment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% (2011 – 20%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

Dividend payments made to resident and non-resident individuals, non-resident legal entities and corporations resident in Turkey (except for the ones exempt from corporate and income tax), are subject to an income tax of 15%. Dividend payments made from a corporation resident in Turkey to a corporation also resident in Turkey are not subject to income tax. Furthermore, income tax is not calculated in case the profit is not distributed or transferred to equity.

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32. Taxation on income (continued)

The dividend income (excluding the participation certificates of investment funds and profit shares derived from the share certificates of investment trusts) derived by entities from the participation in the capital of another resident entity is exempt from corporate tax. Furthermore, 75% of the income derived by entities from the sale of participation shares, immovable property, preferential rights, founders' shares and redeemed shares which are carried in assets at least for two years is exempt from corporate tax. In order to be able to benefit from the exemption, the relevant income should be kept under a fund account in the liabilities and should not be withdrawn from the enterprise for 5 years. The sales amount should be collected by the end of the second calendar year following the year of sale.

The reconciliation between tax expense and the product of accounting profit multiplied by applicable tax is as follows:

	1 January- 31 December 2012	1 January- 31 December 2011
Profit before tax	3,366,402	2,609,099
Tax at the corporate tax rate of 20%	673,280	521,820
Tax effects of:		
- expenses that are not deductible in determining taxable profit	50,435	36,557
- tax rate difference of subsidiaries	2,825	(1,639)
- deferred tax asset recognized from tax losses carried forward by subsidiaries	6,216	(746)
- adjustments and tax losses of subsidiaries not subject to deferred tax	40,516	153,580
Tax expense for the year	773,272	709,572

As of 31 December 2012, the aggregate amount of temporary differences associated with subsidiaries for which deferred tax assets amounting to TL 1,793,139 (2011- TL 1,928,583) has not been recognized in the consolidated financial statements.

Investment Incentives

Avea has obtained investment incentive certificates from the Turkish government authorities in connection with certain major capital expenditures, which entitle Avea, among other things, to:

- A 100% exemption from customs duty on machinery and equipment to be imported,
- An investment allowance of 100% on approved capital expenditures,

The investment allowance indicated in (b) above is deductible from current or future taxable profits for the purposes of corporation tax; however, such investment allowances are subject to a withholding tax. At 31 December 2012, investment allowances amount to TL 5,275,362 (31 December 2011 - TL 4,924,722). Unrecognised deferred tax asset is TL 137,524

The Law foresaw that the taxpayers that have investment allowance rights obtained under the scope of the previous provisions valid before 24 April 2003 and the provisions of the amended article 19 of the Income Tax Law (amended with Law No 4842) that were effective until 31 December 2005 would be able to utilize their investment allowance rights only for their income generated in the years 2006, 2007, and 2008.

However on 15 October 2009, the Constitutional Court decided to cancel the phrases which abolish the investment allowances after 2008 and limit the use of investment allowance incentive allowance with the years 2006, 2007 and 2008. The annulment decision is effective after being published in the Official Gazette no 27456 dated 8 January 2010. Accordingly, Avea may utilize those unused incentive in the future.

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33. Financial risk management objectives and policies

Financial risk policies of the Group are managed centrally with the support of a committee. All Group companies meet their cash needs determined in business plans approved by their boards, by using credits or capital increase with guidance of the central management. The Group may choose long or short term financing according to their financing needs and market assumptions.

The Group's risk management policies are designed to identify and analyze the risks faced by the Group, to determine appropriate risks limits and controls, and to observe commitment to these limits. Risk management policies and systems are constantly under review to reflect changes in the Group's activities and market conditions.

Financial risk factors

The Group's principal financial instruments comprise forward market transactions, bank loans and cash and short-term deposits. The main purpose of these financial instruments is to raise funds for the Group's operations and to hedge interest rate risk. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The board reviews and agrees to policies for managing each of these risks and they are summarized below.

Credit risk

	Receivables						
	Trade receivables		Other receivables		Deposits at banks	Derivative instruments	Other
	Related Parties	Third Parties	Related Parties	Third Parties			
As of 31 December 2012							
Maximum credit risk exposed to as at 31 December 2011 (A+B+C+D+E)	5,773	2,151,228	-	166,466	959,926	3,226	502,891
- Guaranteed portion of the maximum risk	-	45,664	-	-	-	-	-
A. Carrying amount of financial assets not overdue or not impaired	5,773	1,159,075	-	166,466	959,926	3,226	502,891
B. Carrying amount of financial assets with rediscussed conditions, that are considered overdue or impaired if not rediscussed	-	-	-	-	-	-	-
C. Carrying amount of financial assets overdue but not impaired	-	992,153	-	-	-	-	-
- Amount secured via guarantees	-	-	-	-	-	-	-
D. Carrying amount of assets impaired	-	-	-	-	-	-	-
- Overdue (gross book value)	-	1,315,324	-	33,872	-	-	-
- Impairment (-)	-	(1,315,324)	-	(33,872)	-	-	-
E. Off balance sheet items with credit risk	-	-	-	-	-	-	-

	Receivables						
	Trade receivables		Other receivables		Deposits at banks	Derivative instruments	Other
	Related Parties	Third Parties	Related Parties	Third Parties			
As of 31 December 2011							
Maximum credit risk exposed to as at 31 December 2011 (A+B+C+D+E)	14,880	2,061,891	-	109,831	975,051	536	404,309
- Guaranteed portion of the maximum risk	-	21,070	-	-	-	-	-
A. Carrying amount of financial assets not overdue or not impaired	14,880	1,243,108	-	109,831	975,051	536	404,309
B. Carrying amount of financial assets with rediscussed conditions, that are considered overdue or impaired if not rediscussed	-	-	-	-	-	-	-
C. Carrying amount of financial assets overdue but not impaired	-	818,783	-	-	-	-	-
- Amount secured via guarantees	-	-	-	-	-	-	-
D. Carrying amount of assets impaired	-	-	-	-	-	-	-
- Overdue (gross book value)	-	1,312,949	-	22,498	-	-	-
- Impairment (-)	-	(1,312,949)	-	(22,498)	-	-	-
E. Off balance sheet items with credit risk	-	-	-	-	-	-	-

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33. Financial risk management objectives and policies (continued)**Credit risk (continued)**

Financial losses due to Group's receivables and financial assets which result from not implementing agreement clauses related to financial assets by a customer or other party constitutes credit risk.

When determining the credit risk exposure as at the balance sheet date, items like guarantees received, which increase the credit worthiness have not been considered. The aging for assets overdue but not impaired for has been provided in Note 8.

As of 31 December 2012, there is no significant credit risk of Company. The maximum credit risk Company exposure is reflected by presenting all financial assets from carrying amount on consolidated balance sheet.

33. Financial risk management objectives and policies (continued)**Liquidity risk**

Liquidity risk is uncertainty to cover future financial obligations.

The Group's objective is to maintain a balance between current assets and liabilities through close monitoring of payment plans and cash projections.

The Group manages current and long-term funding by maintaining adequate reserves, banking facilities, reserve borrowing facilities and loan agreements with suppliers through continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2012 and 2011 based on contractual undiscounted payments (including interest payments not due yet).

Contract based maturities as at 31 December 2012	Book value	Total contract based cash outflow				
		(=I+II+III+IV)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 Years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Financial liabilities	6,010,044	6,564,832	602,035	859,975	4,260,104	842,717
Obligations under finance leases	27,750	30,551	1,542	6,872	22,137	-
Trade payables	1,267,099	1,270,554	1,185,861	66,605	18,088	-
Other payables	495,139	495,139	495,139	-	-	-
Related parties	7,389	7,389	7,389	-	-	-
Minority put option liability	467,561	586,508	-	-	586,508	-
Derivative financial liabilities (net)	38,931	37,057	4,082	2,025	38,158	(7,209)

Contract based maturities as at 31 December 2011	Book value	Total contract based cash outflow				
		(=I+II+III+IV)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 Years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Financial liabilities	5,310,362	5,620,763	1,261,381	1,154,186	2,649,252	555,944
Obligations under finance leases	35,798	40,870	1,564	7,393	31,913	-
Trade payables	1,997,082	2,008,975	1,808,843	92,040	108,092	-
Other payables	530,896	530,896	530,896	-	-	-
Related parties	5,602	5,602	5,602	-	-	-
Minority put option liability	558,251	815,375	-	-	815,375	-
Derivative financial liabilities (net)	35,118	33,557	17,451	10,923	4,072	1,111

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33. Financial risk management objectives and policies (continued)

Foreign currency risk

The Group has transactional currency exposures mainly with respect to the financial liabilities and trade payables. Foreign currency denominated borrowings are stated in Note 7.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar and Euro exchange rate, with all other variables held constant, of the Group's net profit for the year (due to changes in the fair value of monetary assets and liabilities):

As of 31 December 2012	Profit / Loss		Comprehensive Income	
	Appreciation of foreign currency	Depreciation of foreign currency	Depreciation of foreign currency	Depreciation of foreign currency
Appreciation of USD against TL at 1%:				
1- USD net asset/liability	(29,617)	29,617	(33)	33
2- Portion protected from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(29,617)	29,617	(33)	33
Appreciation of Euro against TL at 1%:				
4- Euro net varlık/yükümlülüğü	(28,047)	28,047	(2,338)	2,338
5- Euro riskinden korunan kısım (-)	-	-	-	-
6- Euro net etki (4+5)	(28,047)	28,047	(2,338)	2,338
Appreciation of other foreign currencies against TL at 1%:				
7- Other foreign currency net asset/liability	(1,032)	1,032	-	-
8- Portion protected from other foreign currency (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	(1,032)	1,032	-	-
Total (3+6+9)	(58,695)	58,695	(2,371)	2,371
As of 31 December 2011	Profit / Loss		Comprehensive Income	
	Appreciation of foreign currency	Depreciation of foreign currency	Depreciation of foreign currency	Depreciation of foreign currency
Appreciation of USD against TL at 1%:				
1- USD net asset/liability	(24,783)	24,783	(48)	48
2- Portion protected from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(24,783)	24,783	(48)	48
Appreciation of Euro against TL at 1%:				
4- Euro net asset/liability	(26,663)	26,663	(45,783)	45,783
5- Portion protected from Euro risk (-)	-	-	-	-
6- Euro net effect (4+5)	(26,663)	26,663	(45,783)	45,783
Appreciation of other foreign currencies against TL at 1%:				
7- Other foreign currency net asset/liability	(61)	61	-	-
8- Portion protected from other foreign currency (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	(61)	61	-	-
Total (3+6+9)	(51,507)	51,507	(45,831)	45,831

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33. Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

	31 December 2012					31 December 2011					
	TL Equivalent	US Dollar	Euro	JPY	GBP	Other	TL equivalent	USD	Euro	GBP	Other
1. Trade receivables	180,368	42,128	44,436	-	-	1,612	183,181	41,827	42,294	-	1,612
2a. Monetary financial assets (Cash and banks accounts included)	306,121	141,317	22,491	-	459	-	360,911	164,763	20,321	10	-
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-	-
3. Other	20,934	3,152	6,499	-	11	-	15,966	4,669	2,920	0	21
4. Current assets (1+2+3)	507,424	186,598	73,426	-	470	1,612	560,058	211,259	65,535	10	1,633
5. Trade receivables	-	-	436	-	-	-	2,763	1,399	3	-	222
6a. Monetary financial assets	205	-	87	-	-	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-	-
7. Other	529	71	171	-	-	-	13	2	5	-	-
8. Non-current assets (5+6+7)	734	71	694	-	-	-	2,776	1,401	8	-	222
9. Total assets (4+8)	508,158	186,668	74,120	-	470	1,612	562,834	212,660	65,543	10	1,855
10. Trade payables	573,803	201,188	91,407	-	57	(2)	765,914	230,341	135,014	180	597
11. Financial liabilities	1,049,724	366,408	168,302	37,201	-	-	1,577,071	470,317	280,221	1,332	-
12a. Monetary other liabilities	45,504	8,151	13,171	-	-	-	165,081	34,885	39,806	655	852
12b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-	-
13. Short-term liabilities (10+11+12)	1,669,031	575,747	272,881	37,201	57	(2)	2,508,066	735,543	455,041	2,167	1,449
14. Trade payables	-	-	-	-	-	-	3,392	3,373	19,934	-	-
15. Financial liabilities	4,602,215	1,268,821	951,708	4,951,728	-	-	3,047,958	781,096	643,484	-	-
16 a. Monetary other liabilities	84,012	314	35,485	-	-	-	86,060	-	35,216	-	-
16 b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-	-
17. Long-term liabilities (14+15+16)	4,686,227	1,269,135	987,194	4,951,728	-	-	3,137,410	784,469	698,634	-	-
18. Total liabilities (13+17)	6,355,258	1,844,882	1,260,075	4,988,929	57	(2)	5,645,476	1,520,012	1,153,675	2,167	1,449
19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b)	-	-	-	-	-	-	-	-	-	-	-
19a. Total asset amount hedged **	-	-	-	-	-	-	-	-	-	-	-
19b. Total liability amount hedged ***	-	-	-	-	-	-	-	-	-	-	-
20. Net foreign currency asset/(liability) position (9-18+19)	(5,847,100)	(1,658,214)	(1,185,954)	(4,988,929)	413	1,614	(5,082,642)	(1,307,352)	(1,088,132)	(2,157)	406
21. Net asset/(liability) position of foreign currency monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)*	(5,868,563)	(1,661,436)	(1,192,625)	(4,988,929)	402	1,614	(5,098,621)	(1,312,023)	(1,091,057)	(2,157)	385
22. Fair value of FX swap financial instruments	-	-	-	-	-	-	-	-	-	-	-

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33. Financial risk management objectives and policies (continued)

Interest rate risk

The value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Group's interest rate risk is primarily attributable to its borrowings.

The interest-bearing financial liabilities have variable interest rates, whereas the interest bearing financial assets have a fixed interest rate and future cash flows associated with these financial instruments will not fluctuate in amount. The Group is subject to interest risk due to financial liabilities and finance lease obligations. In order to cover for these risks, the Group has entered into interest rate swaps. The carrying amount and the maturities of these financial instruments have been presented above. (Note 17)

The interest rate risk table is presented below:

	31 December 2012	31 December 2011
Financial instruments with fixed interest rate		
Financial liabilities	1,041,239	1,520,419
Financial instruments with variable interest rate		
Financial liabilities	4,968,814	3,789,943
taxable profit		

If the base point of denominated interest rates for financial instruments with variable interest rate was higher/lower 0.25%, with all other variables held constant, the Group's income before tax and minority interest would be lower/higher TL 12,401 as of 31 December 2012. (31 December 2011 – TL 9,475)

On the other side because of hedging, if the base point of interest rate higher/lower 0.25%, equity would be higher/lower TL 15,554 (31 December 2011 – TL 785).

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33. Financial risk management objectives and policies (continued)

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

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

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

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial assets				
Cash and cash equivalents	960,788	978,676	960,788	978,676
Trade and other receivables (including related parties)	2,323,466	2,323,466	2,186,602	
Other current and non-current assets	504,238	405,565	504,238	405,565
Other financial investments	11,840	11,840	(*)	(*)
Financial liabilities				
Financial liabilities	6,010,044	5,310,362	6,012,371	5,307,258
Financial leasing liabilities	27,750	35,798	27,750	35,798
Trade and other payables	1,608,084	2,012,452	1,608,084	2,012,452
Other current and non-current liabilities	1,160,836	608,185	1,160,836	608,185

(*) Group's share in Cetel is carried at cost. Information on fair value of share in Cetel is not available.

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33. 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 December 2012 is as follows:

Financial assets at fair value through profit or loss:	Level 1	Level 2	Level 3
Swap transactions	-	3,226	-
Forward transactions	-	-	-
Financial liabilities at fair value through profit or loss:			
Swap transactions	-	38,931	-
Forward transactions	-	-	-
Minority put option liability (Note 11)	-	-	467,561

Fair value hierarchy table as at 31 December 2011 is as follows:

Financial assets at fair value through profit or loss:	Level 1	Level 2	Level 3
Swap transactions	-	535	-
Forward transactions	-	-	-
Financial liabilities at fair value through profit or loss:			
Swap transactions	-	35,118	-
Forward transactions	-	-	-
Minority put option liability (Note 11)	-	-	558,251

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. In this respect the Group restructured its debt obligations through replacing the majority of the short-term loans with long-term ones and further to this rolled over the remaining of short-term loans during the year 2009.

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 2012 and 2011.

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