

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

**Interim condensed consolidated financial statements for
the period between 1 January – 31 March 2014**

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

Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

**Interim condensed consolidated statement of financial position
as of 31 March 2014
(Currency - in Thousands of Turkish Lira (TL))**

		Current period	Prior period
		Not Reviewed	Audited
	Notes	31 March 2014	31 December 2013
Assets			
Current assets			
		5.592.693	4.849.061
Cash and cash equivalents	6	1.518.436	1.063.711
Trade receivables			
- Due from related parties	7	34.319	35.927
- Trade receivables from third parties	9	3.197.947	3.091.606
Other receivables			
- Other receivables from third parties		107.514	109.712
Derivative financial instruments	17	15.924	275
Inventories		97.152	87.029
Prepaid expenses		458.194	246.137
Current tax related assets		8.780	3.614
Other current assets	13	119.523	164.303
		5.557.789	4.802.314
Assets held for sale			
	10	34.904	46.747
Non-current assets			
		13.157.746	13.395.454
Financial investments		11.840	11.840
Trade receivables			
- Trade receivables from third parties	9	39.068	34.275
Other receivables			
- Other receivables from third parties		43.753	43.273
Derivative financial instruments	17	31.051	59.786
Investment property	10	14.187	20.230
Property, plant and equipment	10	8.192.815	8.329.666
Intangible assets			
-Goodwill		48.734	48.734
-Other intangible assets	10	4.468.180	4.536.495
Prepaid expenses		29.101	27.792
Deferred tax asset		263.820	264.503
Other non-current assets	13	15.197	18.860
Total assets			
		18.750.439	18.244.515

The accompanying policies and explanatory notes on pages 7 through 40 form an integral part of these interim condensed consolidated financial statements.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Interim condensed consolidated statement of financial position

as of 31 March 2014

(Currency - in Thousands of Turkish Lira (TL))

		Current period	Prior period
		Not Reviewed	Audited
	Notes	31 March 2014	31 December 2013
Liabilities			
Current liabilities		6.046.073	5.052.639
Financial liabilities			
- Bank borrowings	8	411.415	55.129
Short term portion of long term financial liabilities			
- Bank borrowings	8	2.397.033	2.195.902
- Obligations under finance leases		9.805	9.743
Other financial liabilities			
- Minority put option liability	14	496.669	--
Trade payables			
- Due to related parties	7	10.043	9.881
- Trade payables to third parties	9	1.332.244	1.737.748
Employee benefit obligations	13	80.300	105.470
Other payables			
- Other payables to third parties		550.144	459.638
Derivative financial instruments	17	211	8.670
Deferred revenue		110.768	125.930
Income tax payable		169.210	55.218
Short term provisions			
-Short term provisions for employee benefits	11	186.386	829
-Other short term provisions		242.944	233.938
Other current liabilities	13	48.901	54.543
Non-current liabilities		7.035.645	7.864.267
Financial liabilities			
- Bank borrowings	8	5.824.427	6.055.348
- Obligations under finance leases		15.429	17.386
Other financial liabilities			
- Minority put option liability	14	--	483.946
Trade payables			
Other payables			
- Other payables to third parties		7.913	8.047
Derivative financial instruments	17	255	15.995
Deferred revenue		273.270	270.913
Long term provisions			
-Provisions for employee termination benefits	12	606.355	585.394
-Long term provisions for employee benefits excluding employee termination benefits	11	20.161	64.378
-Other long-term provisions		7.965	8.105
Deferred tax liability		279.870	354.755
Equity		5.668.721	5.327.609
Total equity attributable to parent			
Paid-in share capital		3.500.000	3.500.000
Inflation adjustments to paid in capital (-)		(239.752)	(239.752)
Other comprehensive income items not to be reclassified to profit or loss			
-Minority put option liability reserve		(259.087)	(232.807)
-Difference arising from the change in shareholding rate in a subsidiary		(858.134)	(858.134)
-Actuarial loss arising from employee benefits		(368.137)	(366.997)
-Share based payment reserve		9.528	9.528
Other comprehensive income items to be reclassified to profit or loss			
-Hedging loss		(41.947)	(23.570)
-Foreign currency translation reserve		61.024	58.105
Restricted reserves allocated from profits		2.049.085	2.049.085
Retained earnings		1.432.151	129.106
Net profit for the period		383.990	1.303.045
Total liabilities and equity		18.750.439	18.244.515

The accompanying policies and explanatory notes on pages 7 through 40 form an integral part of these interim condensed consolidated financial statements.

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Interim condensed consolidated statement of profit or loss for the period ended 31 March 2014 (Currency - in Thousands of Turkish Lira (TL))

		Current Period Not Reviewed	Prior Period Not Reviewed
	Notes	1 January 2014 - 31 March 2014	1 January 2013 - 31 March 2013
Sales	5	3.194.707	3.142.944
Cost of sales (-)	5	(1.617.839)	(1.612.315)
Gross profit		1.576.868	1.530.629
General administrative expenses (-)	5	(466.951)	(406.504)
Marketing, sales and distribution expenses (-)	5	(474.662)	(418.097)
Research and development expenses (-)	5	(15.318)	(13.415)
Other operating income	5	77.095	72.802
Other operating expense (-)	5	(73.970)	(52.387)
Operating profit		623.062	713.028
Income from investing activities	5	109.855	21.470
Expense from investing activities (-)	5	(723)	--
Operating profit before financial expenses		732.194	734.498
Financial income		436.753	163.415
Financial expense (-)		(691.291)	(220.395)
Profit before tax		477.656	677.518
Tax expense			
- Current tax expense		(175.154)	(105.238)
- Deferred tax income/ (expense)		67.932	(55.696)
Profit for the year		370.434	516.584
Profit attributable to:			
Non-controlling interest		(13.556)	(9.826)
Attributable to equity holders of the parent		383.990	526.410
Earnings per shares attributable to equity holders of the parent from (in full Kuruş)		0,1097	0,1504
Earnings per diluted shares attributable to equity holders of the parent from (in full Kuruş)		0,1097	0,1504

The accompanying policies and explanatory notes on pages 7 through 40 form an integral part of these interim condensed consolidated financial statements.

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Interim condensed consolidated statement of other comprehensive income for the period ended 31 March 2014 (Currency - in Thousands of Turkish Lira (TL))

		Current Period	Prior Period
		Not Reviewed	Not Reviewed
	Notes	1 January 2014 -31 March 2014	1 January 2013 - 31 March 2013
Profit for the period		370.434	516.584
Other comprehensive income items not to be reclassified to profit or loss:			
Actuarial loss	12	(1.425)	(37.074)
Tax effect of actuarial loss from employee benefits		285	7.415
Other comprehensive income items to be reclassified to profit or loss:			
Change in foreign currency translation differences		2.919	(1.156)
Fair value loss on hedging instruments reclassified to profit or loss	17	--	1.259
Cash flow hedges-effective portion of changes in fair value	17	(28.733)	7.839
Tax effect of cash flow hedges-effective portion of changes in fair value	17	5.747	(1.586)
Hedge of net investment in a foreign operation	17	5.760	3.890
Tax effect of hedge of net investment in a foreign operation	17	(1.151)	(778)
Other comprehensive income, net of tax		(16.598)	(20.191)
Total comprehensive income		353.836	496.393
Appropriation of total comprehensive income:			
Non-controlling interest		(13.556)	(9.709)
Attributable to equity holders of the parent		367.392	506.102

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

**Interim condensed consolidated statement of changes in equity
for the period ended 31 March 2014
(Currency - in Thousands of Turkish Lira (TL))**

			Other comprehensive income items not to be reclassified to profit or loss in subsequent periods				Other comprehensive income items to be reclassified to profit or loss in subsequent periods				Retained earnings				
	Paid-in share capital	Inflation adjustment to paid in capital	Minority put option liability reserve	Share based payment reserve	Difference arising from the change in shareholding rate in a subsidiary	Actuarial gain/loss arising from employee benefits	Reserve for hedge of net investment in a foreign operation	Cash flow hedge reserve	Foreign currency translation reserve	Restricted reserves allocated from profits	Retained earnings	Net profit for the period	Total equity attributable to parent	Non-controlling interest	Total equity
Balance at 1 January 2013	3.500.000	(239.752)	(180.715)	9.528	(858.134)	(340.679)	(29.649)	(28.274)	31.353	1.825.257	129.106	2.637.107	6.455.148	--	6.455.148
Net profit for the period	--	--	--	--	--	--	--	--	--	--	--	526.410	526.410	(9.826)	516.584
Other comprehensive income/(loss)	--	--	--	--	--	(29.659)	3.113	7.394	(1.156)	--	--	--	(20.308)	117	(20.191)
Total comprehensive income	--	--	--	--	--	(29.659)	3.113	7.394	(1.156)	--	--	526.410	506.102	(9.709)	496.393
Transfer to retained earnings	--	--	--	--	--	--	--	--	--	--	2.637.107	(2.637.107)	--	--	--
Non-controlling interest before reclassification to minority put option liability	--	--	--	--	--	--	--	--	--	--	--	--	--	286.845	286.845
Minority put option liability (Note 14)	--	--	(9.709)	--	--	--	--	--	--	--	--	--	(9.709)	(277.136)	(286.845)
Balance at 31 March 2013	3.500.000	(239.752)	(190.424)	9.528	(858.134)	(370.338)	(26.536)	(20.880)	30.197	1.825.257	2.766.213	526.410	6.951.541	--	6.951.541
Balance at 1 January 2014	3.500.000	(239.752)	(232.807)	9.528	(858.134)	(366.997)	(70.390)	46.820	58.105	2.049.085	129.106	1.303.045	5.327.609	--	5.327.609
Net profit for the period	--	--	--	--	--	--	--	--	--	--	--	383.990	383.990	(13.556)	370.434
Other comprehensive income/(loss)	--	--	--	--	--	(1.140)	4.609	(22.986)	2.919	--	--	--	(16.598)	--	(16.598)
Total comprehensive income	--	--	--	--	--	(1.140)	4.609	(22.986)	2.919	--	--	383.990	367.392	(13.556)	353.836
Transfer to retained earnings	--	--	--	--	--	--	--	--	--	--	1.303.045	(1.303.045)	--	--	--
Non-controlling interest before reclassification to minority put option liability	--	--	--	--	--	--	--	--	--	--	--	--	--	251.138	251.138
Minority put option liability (Note 14)	--	--	(26.280)	--	--	--	--	--	--	--	--	--	(26.280)	(237.582)	(263.862)
Balance at 31 March 2014	3.500.000	(239.752)	(259.087)	9.528	(858.134)	(368.137)	(65.781)	23.834	61.024	2.049.085	1.432.151	383.990	5.668.721	--	5.668.721

The accompanying policies and explanatory notes on pages 7 through 40 form an integral part of these interim condensed consolidated financial statements.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

**Interim condensed consolidated statement of cash flows
for the period ended 31 March 2014
(Currency - in Thousands of Turkish Lira (TL))**

		Current Period	Prior Period
		Not Reviewed	Not Reviewed
	Notes	1 January 2014 - 31 March 2014	1 January 2013 - 31 March 2013
Net Profit		370.434	516.584
Adjustments to reconcile net profit to cash provided by operating activities:			
Depreciation and amortisation expenses		476.659	439.471
Tax expense		107.221	160.934
Gain/(loss) on sale of property, plant and equipment		(109.131)	(21.828)
IFRIC 12 construction (revenue) / cost, net		(1.097)	(4.600)
Interest income and (expense), net		41.468	15.402
Unrealised foreign currency exchange differences		217.629	2.726
Reversal of doubtful receivables		(44.720)	(39.074)
Allowance for doubtful receivables		74.293	80.470
Provision for employee termination benefits	12	23.031	25.852
Change in litigation provision, net		20.916	7.009
Change in unused vacation provision	11	11.627	11.053
Loss/(gain) on derivative financial instruments, net		(41.074)	2.083
Obsolete inventory provision / (reversal), net		571	--
Other provisions		(1.290)	(1.184)
Operating profit before working capital changes		1.146.537	1.194.898
Net working capital changes in:			
Adjustments to trade receivables		(135.794)	(124.971)
Other current assets		(167.658)	(200.365)
Adjustments to (increase)/decrease in inventories		(10.694)	3.982
Adjustments to increase/(decrease) in trade payables		(431.055)	(418.233)
Other non-current assets		1.903	4.337
Other current liabilities and provisions		230.353	103.368
Other non-current liabilities		(62.692)	11.138
Restricted cash		41.008	(41.551)
Cash flow from operating activities			
Payments of employee termination benefits	12	(3.471)	(192.440)
Payments of provisions		(12.681)	(16.564)
Payments of tax		(71.094)	(112.329)
Interest received		37.097	36.148
Net cash provided by operating activities		561.759	247.418
Investing activities			
Proceeds from sale of property, plant, equipment and intangible assets		139.126	29.618
Purchases of property, plant, equipment and intangible assets	10	(255.674)	(292.633)
Net cash used in investing activities		(116.548)	(263.015)
Cash flows from financing activities			
Proceeds from bank borrowings	8	2.687.956	2.728.155
Repayment of bank borrowings	8	(2.619.687)	(2.216.546)
Repayment of obligations under finance leases	8	(2.563)	(1.844)
Interest paid	8	(54.386)	(55.210)
Derivative instrument payments		29.110	(4.743)
Interest received		20.200	7.038
Net cash used in financing activities		60.630	456.850
NET INCREASE IN CASH AND CASH EQUIVALENTS		505.841	441.253
FOREIGN EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		(10.108)	(14.869)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		697.377	447.012
Cash and cash equivalents at the end of the period	6	1.193.110	873.396

The accompanying policies and explanatory notes on pages 7 through 40 form an integral part of these interim condensed consolidated financial statements.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the interim condensed consolidated financial statements for the period ended 31 March 2014

(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 and all of the personnel, assets and obligations of the PTT pertaining to telecommunication services were transferred to the Company, the shares of which were fully owned by the Prime Ministry Under secretariat of Treasury (“the Treasury”).

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

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

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

As at 31 March 2014 and 31 December 2013, the ultimate parent and controlling party of the Company is Saudi Oger Ltd (“Saudi Oger”), because of its controlling ownership in Oger Telecom.

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**Notes to the interim condensed consolidated financial statements
for the period ended 31 March 2014 (continued)**

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

1. Corporate organization and activities (continued)

The details of the Company's subsidiaries as at 31 March 2014 and 31 December 2013 are as follows:

Name of Subsidiary	Place of incorporation and operation	Principal activity	Functional Currency	Effective ownership Of the Company (%)	
				31 March 2014	31 December 2013
TTNet Anonim Şirketi ("TTNet")	Turkey	Internet Service Provider	Turkish Lira	100	100
Avea İletişim Hizmetleri A.Ş. ("Avea")	Turkey	GSM Operator	Turkish Lira	89,99	89,99
Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret Anonim Şirketi ("Argela")	Turkey	Telecommunications solutions	Turkish Lira	100	100
Innova Bilişim Çözümleri Anonim Şirketi ("Innova")	Turkey	Telecommunications solutions	Turkish Lira	100	100
Assist Rehberlik ve Müşteri Hizmetleri Anonim Şirketi ("Assist")	Turkey	Call centre and customer relations	Turkish Lira	100	100
Sebit Eğitim ve Bilgi Teknolojileri A.Ş. ("Sebit")	Turkey	Web based learning	Turkish Lira	100	100
Argela - USA. Inc.	USA	Telecommunication Solutions	U.S. Dollar	100	100
Sebit LLC	USA	Web Based Learning	U.S. Dollar	100	100
IVEA Software Solutions FZ-LLC ("IVEA")	UAE	Telecommunication Solutions	U.S. Dollar	100	100
TT International Holding B.V. ("TT International")(*)	Netherlands	Holding company	Euro	100	100
TT Global Services B.V. ("TT Global")(*)	Netherlands	Service company	Euro	100	100
Türk Telekom International AT AG ("TTINT Austria") (*)	Austria	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International HU Kft ("TTINT Hungary")(*)	Hungary	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
S.C. Euroweb Romania S.A. ("TTINT Romania")(*)	Romania	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International BG EOOD ("TTINT Bulgaria")(*)	Bulgaria	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International CZ s.r.o. ("TTINT Czech Republic")(*)	Czech Republic	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Pantel International d.o.o. ("TTINT Serbia")(*)	Serbia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International Telekomunikacije d.o.o. ("TTINT Slovenia")(*)	Slovenia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International SK s.r.o. ("TTINT Slovakia")(*)	Slovakia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
MTCTR Memorex Telekomunikasyon Sanayi ve Ticaret Limited Şirketi ("TTINT Turkey")(*)	Turkey	Internet/data services, infrastructure and wholesale voice services provider	Turkish Lira	100	100
Türk Telekom International UA TOV. ("TTINT Ukraine")(*)	Ukraine	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International S.R.L. ("TTINT Italia")(*)	Italy	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International DOOEL Skopje ("TTINT Macedonia")(*)	Macedonia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International RU O.O.O. ("TTINT Russia")(*)	Russia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekomunikasyon Euro GmbH. ("TT Euro")(*)	Germany	Mobil service marketing	Euro	100	100
Türk Telekom International D.O.O. ("TTINT Croatia")(*)	Croatia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Net Ekran TV ve Medya Hiz. A.Ş. ("Net Ekran")	Turkey	Television and radio broadcasting	Turkish Lira	100	100
TT Euro Belgium S.A. (*)	Belgium	Mobile service marketing	Euro	100	100
Flexus Mobil Finans ve Dağıtım ("Fleksus")	Turkey	Mobile finance	Turkish Lira	100	100

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the interim condensed consolidated financial statements for the period ended 31 March 2014 (continued)

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

1. Corporate organization and activities (continued)

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

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

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

The average number of personnel subject to collective agreement as at 31 March 2014 is 13.327 (31 Aralık 2013 – 13.515) and the average number of personnel not subject to collective agreement as at 31 March 2014 is 19.388 (31 December 2013 – 19.374). The number of personnel as at 31 March 2014 and 31 December 2013 were 34.630 and 34.441, respectively.

Interim condensed consolidated financial statements were approved by the Board of Directors of the Company and authorized for issue on 30 April 2013. The general assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

2. Basis of presentation financial statements

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

2.1 Basis of presentation of the interim condensed consolidated financial statements

The interim condensed consolidated financial statements and explanatory notes have been prepared in accordance with Turkish Accounting Standards (“TAS”) promulgated by the Public Oversight Accounting and Auditing Standards Authority (“POA”) as set out in the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) of the Capital Markets Board of Turkey (“CMB”), which is published on 13 June 2013 at the Official Gazette numbered 28676.

For the period ended 31 March 2014, the Group prepared its interim condensed consolidated financial statements in accordance with the Turkish Accounting Standard No.34 “Interim Financial Reporting”. Interim condensed financial statements of the Group do not include all the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Group’s annual financial statements as of December 31, 2013.

CMB, with its resolution dated 17 March 2005, announced that all publicly traded entities operates in Turkey was not obliged to apply inflationary accounting as from 1 January 2005. The interim condensed consolidated financial statements have been prepared in accordance within the resolution.

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

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

In order to prepare financial statements in accordance with IFRSs, certain assumptions affecting notes to the financial statements and critical accounting estimations related to assets, liabilities, contingent assets and contingent liabilities are required to be used. Although these estimations are made upon the best afford of the Management by interpreting the cyclical circumstances, actual results may differ from the forecasts. Issues that are complex and needs further interpretation, which might have a critical impact on financial statements. There is no change in judgements and critical accounting estimates used in interim condensed consolidated financial statements as of 31 March 2014.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the interim condensed consolidated financial statements for the period ended 31 March 2014 (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)

Additional paragraph for convenience translation to English:

As at 31 March 2014, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying interim condensed consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting and also for certain reclassification requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

Classifications applied to financial statements as of 31 March 2013

Based on the decision taken on 7 June 2013 by the CMB at its meeting numbered 20/670, a new illustrative financial statement and guidance to it has been issued effective from the interim periods ended after 31 March 2013, which is applicable for the companies that are subject to Communiqué on the Principles of Financial Reporting in Capital Markets. Based on these new illustrative financial statements, a number of changes made at the Group's consolidated income statement.

The reclassifications that are made at the Group's consolidated income statement as at 31 March 2013 are as:

- foreign exchange gains, interest income, discount income on current accounts amounting to TL 48.272 is reclassified from financial income to other operating income,
- foreign exchange losses, interest expense, discount expense on current accounts amounting to TL 25.604 is reclassified from financial expense to other operating expenses,
- gain on sale of fixed assets amounting to TL 21.470 previously recognized as other operating income is reclassified to income from investing activities,
- income from reversal of doubtful receivable amounting to TL 354 previously recognized as other operating income is reclassified to general administrative expenses account.

Interest income from deposits amounting to TL 7.038 of total interest income amounting to TL 43.186, which was previously presented as interests received from investing activities in the cash flow statement for the period end 31 March 2013, is classified to net cash used in financing activities; interest received from customers amounting TL 36.148, however, is classified to net cash from operating activities.

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 March 2014 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2014. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the interim condensed consolidated financial statements for the period ended 31 March 2014 (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 which are effective as at 1 January 2014 are as follows:

Investment Entities (Amendments to TFRS 10, TFRS 12 and TAS 27)

TFRS 10 is amended for entities that meet the definition of an investment entity to qualify for the consolidation exception. According to the amendment, financial assets of an investment entity should be measured at fair value under TFRS 9 Financial Instruments, or to the extent possible under TMS 39 Financial Instruments: Recognition and Measurement. The amendments had no significant impact on the financial position or performance of the Group.

TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments had no significant impact on the financial position or performance of the Group.

TAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial assets (Amendments)

As a consequential amendment to IFRS 13 Fair Value Measurement, some of the disclosure requirements in IAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets are modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal.. The amendment has affected disclosure principles of the recoverable amounts for non-financial assets. The amendments had no significant impact on the financial position or performance of the Group.

TAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)

Amendments to IAS 39 Financial Instruments: Recognition and Measurement provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. The amendments had no significant impact on the financial position or performance of the Group.

TFRIC Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The Interpretation had no significant impact on the financial position or performance of the Group.

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Notes to the interim condensed consolidated financial statements for the period ended 31 March 2014 (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)

Standards issued but not yet effective and not early adopted

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

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA

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

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

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. The new standard removes the 1 January 2015 effective date of IFRS 9. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. The standard does not have a mandatory effective date, but it is available for application now; a new mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial instruments. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)

The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. When contributions are eligible for the practical expedient, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered. The amendment is effective for annual periods beginning on or after 1 July 2014. Early application is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

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Notes to the interim condensed consolidated financial statements for the period ended 31 March 2014 (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 14 Regulatory Deferral Accounts

IASB has started a comprehensive project for Rate Regulated Activities in 2012. As part of the project, IASB published an interim standard to ease the transition to IFRS for rate regulated entities. The standard permits first time adopters of IFRS to continue using previous GAAP to account for regulatory deferral account balances. The interim standard is effective for financial reporting periods beginning on or after 1 January 2016, although early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

Improvements to IFRSs

In December 2013, the IASB issued two cycles of Annual Improvements to IFRSs – 2010–2012 Cycle and IFRSs – 2011–2013 Cycle. Other than the amendments that only affect the standards' Basis for Conclusions, the changes are effective as of 1 July 2014. Earlier application is permitted.

Annual Improvements to IFRSs – 2010–2012 Cycle

IFRS 2 Share-based Payment:

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

IFRS 3 Business Combinations

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

IFRS 8 Operating Segments

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

IFRS 13 Fair Value Measurement Decision Requirements

As clarified in the Basis for Conclusions, short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment to IAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows: i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the carrying amount equals to the market value. The amendment is effective retrospectively.

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Notes to the interim condensed consolidated financial statements for the period ended 31 March 2014 (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 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment is effective retrospectively.

Annual Improvements to IFRSs – 2011–2013 Cycle

IFRS 1 First Time Adoption of International Financial Reporting Standards

The amendment clarifies that in its first IFRS financial statements, a first-time adopter is permitted but not required to apply a new or revised IFRS that is not yet mandatory but is available for early application.

IFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of IFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

IFRS 13 Fair Value Measurement

The portfolio exception in IFRS 13 can be applied to the contracts within the context of IAS 39, not just financial assets and financial liabilities. The amendment is effective prospectively.

IAS 40 Investment Property

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively. These amendments did not have an impact on the financial position or performance of the Group.

Resolutions promulgated by the Public Oversight Authority

In addition to those mentioned above, the POA has promulgated the following resolutions regarding the implementation of Turkish Accounting Standards. “The financial statement examples and user guide” became immediately effective at its date of issuance; however, the other resolutions shall become effective for the annual reporting periods beginning after 31 December 2012.

2013-1 Financial Statement Examples and User Guide

The POA promulgated “financial statement examples and user guide” on May 20, 2013 in order to ensure the uniformity of financial statements and facilitate their audit. The financial statement examples within this framework were published to serve as an example to financial statements to be prepared by companies obliged to apply Turkish Accounting Standards, excluding financial institutions established to engage in banking, insurance, private pensions or capital market. The Group has made the classification stated in Note 2.2 in order to comply with the requirements of this regulation.

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Notes to the interim condensed consolidated financial statements for the period ended 31 March 2014 (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)

2013-2 Accounting of Combinations under Common Control

In accordance with the resolution it has been decided that i) combination of entities under common control should be recognized using the pooling of interest method, ii) and thus, goodwill should not be included in the financial statements and iii) while using the pooling of interest method, the financial statements should be prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurs and should be presented comparatively from the beginning of the reporting period in which the common control occurred. This resolution did not have any impact on the consolidated financial statements of the Group.

2013-3 Accounting of Redeemed Share Certificates

Clarification has been provided on the conditions and circumstances when the redeemed share certificates shall be recognized as a financial liability or equity based financial instruments. This resolution did not have any impact on the consolidated financial statements of the Group.

2013-4 Accounting of Cross Shareholding Investments

If a subsidiary of an entity holds shares of the entity then this is defined as cross shareholding investment. Accounting of this cross investment is assessed based on the type of the investment and different recognition principles adopted accordingly. With this resolution, this topic has been assessed under three main headings below and the recognition principles for each one of them has been determined.

- i) the subsidiary holding the equity based financial instruments of the parent,
- ii) the associates or joint ventures holding the equity based financial instruments of the parent
- iii) the parent's equity based financial instruments are held by an entity, which is accounted as an investment within the scope of TAS 39 and TFRS 9 by the parent.

This resolution did not have any impact on the consolidated financial statements of the Group.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the interim condensed consolidated financial statements for the period ended 31 March 2014 (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)

2.2 Basis of consolidation

As at 31 March 2014, the condensed consolidated financial statements include the financial results of Türk Telekom and its subsidiaries listed at Note 1. Control is normally evidenced when the Company controls an investee if and only if the company has all the following; a) power over the investee b) exposure, or rights, to variable returns from its involvement with the investee and c) the ability to use its power over the investee to affect the amount of company's returns. The results of subsidiaries acquired during the year are included in the consolidated statements of income from the effective date of acquisition as appropriate.

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

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

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

Losses within a subsidiary are attributed to non-controlling interest even if that result is in deficit balance.

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 non-controlling interest is reclassified as minority put option liability as "long term liabilities" after appropriation to the non-controlling interest of its share of recognized income and expense for the year. The value of the non-controlling 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 non-controlling shares (Notes 14).

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Notes to the interim condensed consolidated financial statements for the period ended 31 March 2014 (continued)

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

3. Seasonal changes in the operations

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

4. Earnings per share

	1 January - 31 March 2014	1 January - 31 March 2013
Weighted average number of ordinary shares outstanding during the year	350.000.000.000	350.000.000.000
Net profit for the year attributable to equity holders of the Company	383.990	526.410
Basic and earnings per share (in full kuruş)	0,1097	0,1504

5. Segment reporting

The Group has two main segments: Fixed line and GSM. Fixed line services are provided by Türk Telekom, TTNNet, Argela, Innova, Sebit, Sobee, AssisTT and TTINT Group whereas GSM service is provided by Avea and Fleksus. Group management assesses segment performance over earnings before interest, tax, depreciation and amortization ("EBITDA"). EBITDA is calculated by adjusting the operating income by i) adding income/expense from investing activities, depreciation, amortization and impairment expenses and ii) deducting exchange gains/losses, interest and rediscount income/expenses on current accounts presented in other operating income and expense. Group management uses EBITDA as it is comparable with other companies in the sector. As Group management does not monitor Group's performance over geographical segments, geographical segment reporting is not presented. The segment results, balance sheet items are presented below:

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

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Notes to the interim condensed consolidated financial statements

for the period ended 31 March 2014 (continued)

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

5. Segment reporting (continued)

	Fixed line		Mobile		Eliminations		Consolidated	
	1 January - 31 March 2014	1 January - 31 March 2013	1 January - 31 March 2014	1 January - 31 March 2013	1 January - 31 March 2014	1 January - 31 March 2013	1 January - 31 March 2014	1 January - 31 March 2013
Revenue								
Domestic PSTN	775.597	883.299	-	-	-	-	775.597	883.299
ADSL	897.477	829.882	-	-	-	-	897.477	829.882
GSM	-	-	957.083	917.101	-	-	957.083	917.101
IFRIC12 revenue	9.532	39.988	-	-	-	-	9.532	39.988
Data service and leased line revenue	285.870	244.354	-	-	-	-	285.870	244.354
International revenue	133.195	124.890	-	-	-	-	133.195	124.890
Domestic interconnection revenue	87.410	77.677	-	-	-	-	87.410	77.677
Rental income from GSM operators	19.704	20.095	-	-	-	-	19.704	20.095
Other	137.106	98.868	-	-	-	-	137.106	98.868
Eliminations	-	-	-	-	(108.267)	(93.210)	(108.267)	(93.210)
Total revenue	2.345.891	2.319.053	957.083	917.101	(108.267)	(93.210)	3.194.707	3.142.944
Cost of sales and operating expenses (excluding depreciation and amortization)	(1.356.553)	(1.296.956)	(849.091)	(808.697)	107.533	94.793	(2.098.111)	(2.010.860)
Other income/(expense) and income/(expense) from investing activities	111.953	35.853	1.141	6.143	(837)	(111)	112.257	41.885
Depreciation and amortization	(282.203)	(266.115)	(193.002)	(173.889)	(1.454)	533	(476.659)	(439.471)
EBITDA	1.092.763	1.040.644	108.650	109.168	(1.565)	1.489	1.199.849	1.151.301
Doubtful receivable provision expense	(11.945)	(19.836)	(17.628)	(21.007)	-	-	(29.573)	(40.842)
Capital expenditure (*)	152.009	190.685	124.364	60.619	2.782	3.153	279.155	254.457
Contribution to the consolidated revenue (**)	2.262.207	2.245.702	932.500	897.242	-	-	3.194.707	3.142.944
Contribution to the consolidated EBITDA (***)	1.037.815	991.532	162.033	159.769	-	-	1.199.848	1.151.301

(*) Capital expenditures do not include TL 1.097 (2013 – TL 4.600) amounted profit margin which is capitalized on intangible assets that are accounted within the scope of TFRS Interpretation 12.

(**) “Contribution to the consolidated revenue” represents operating segments’ revenues from companies other than those included in the interim condensed consolidated financial statements. Group management still monitors financial performance of the segments based on their separate TFRS financial statements and because of this there is no change at the segment information disclosed. However, contribution of operating segments on the Group’s revenue is presented to give additional information to the readers of the financial statements.

(***) “Contribution to the consolidated EBITDA” represents operating segments’ EBITDA arose from transactions with companies other than those included in the interim condensed consolidated financial statements. Group management still monitors financial performance of the segments based on their separate TFRS financial statements and because of this there is no change at the segment information disclosed. However, contribution of operating segments on the Group’s revenue is presented to give additional information to the readers of the financial statements.

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

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Notes to the interim condensed consolidated financial statements for the period ended 31 March 2014 (continued)

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5. Segment reporting (continued)

	1 January - 31 March 2014	1 January - 31 March 2013
Fixed line segment EBITDA	1.092.763	1.040.644
GSM segment EBITDA	108.650	109.168
Inter-segment eliminations	(1.565)	1.489
Consolidated EBITDA	1.199.848	1.151.301
Foreign exchange gains, interest income, discount income on current accounts presented under other operating income	51.920	48.286
Foreign exchange losses, interest expense, discount expense on current accounts presented under other operating expense	(42.915)	(25.618)
Financial income	436.753	163.415
Financial expenses (-)	(691.291)	(220.395)
Depreciation, amortisation and impairment	(476.659)	(439.471)
Consolidated profit before tax	477.656	677.518

31 March 2014	Fixed Line	Mobile	Eliminations	Other unallocated amounts (*)	Consolidated
Total segment assets	15.600.693	5.337.128	(2.187.382)	-	18.750.439
Total segment liabilities	(11.841.466)	(2.932.429)	2.188.846	(496.669)	(13.081.718)

31 December 2013	Fixed Line	Mobile	Eliminations	Other unallocated amounts (*)	Consolidated
Total segment assets	14.788.426	5.422.895	(1.966.806)	-	18.244.515
Total segment liabilities	(11.521.606)	(2.882.688)	1.971.334	(483.946)	(12.916.906)

(*) Includes minority put option liability amounting to TL 496.669 (31 December 2013 – TL 483.946).

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**Notes to the interim condensed consolidated financial statements
for the period ended 31 March 2014 (continued)**

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

6. Cash and cash equivalents

	31 March 2014	31 December 2013
Cash on hand	697	854
Cash at banks– Demand Deposit	404.746	385.302
Cash at banks– Time Deposit	1.112.733	667.877
Other	260	9.678
	1.518.436	1.063.711

As of 31 March 2014, time deposits are all short-term, maturing within one month and denominated in both foreign currencies and TL. The interest rates are between 5,00% -13,25% for TL deposits, between 0,35% -3,25% for US Dollar deposits and between 0,35% - 3,00% for Euro deposits. (31 December 2013 – for TL deposits between 3,75% and 9,75% for TL deposits, for US Dollar deposits between 0,35% and 3,25% and for Euro deposits between 0,75% and 3,25%).

As of 31 March 2014, TL 42.405 (31 March 2013 - TL 87.562) 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 12). 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 March 2014	31 December 2013
Cash and cash equivalents	1.518.436	1.428.723
Less: restricted amounts		
- Collection protocols	(274.489)	(323.728)
- TAFICS projects	(42.405)	(87.562)
- Restricted deposit in relation to bank borrowings	-	(126.233)
- ATM collection	(6.696)	(7.608)
- Other	(1.736)	(10.196)
Unrestricted cash	1.193.110	873.396

As of 31 March 2014, demand deposits amounting to TL 274.489 (31 March 2013 - TL 323.728) is restricted due to collection protocols signed with banks for receipts from the subscribers, under which proceeds are made available to the Group a certain number of days after the cash is collected. As of 31 March 2014, there is no restricted deposit amount in relation to bank borrowings. As of 31 March 2014, all (31 March 2013- 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 6.696 arising from collections through automated teller machine (“ATM”) is not available for use at 31 March 2014 (31 March 2013 - TL 7.608).

Out of TL 1.518.436 (31 December 2013- TL 1.063.711), cash and cash equivalents amounting to TL 246.303 (31 December 2013 – TL 375.563) belongs to Avea.

As of 31 March 2014, the Group has EUR 109.424 (31 December 2013 – EUR 109.424) and US Dollar 639.802 (31 December 2013 – US Dollar 711.365) amounted bank loans which have been committed banks and not utilized yet, having maturity dates 15 December 2014 and 29 April 2016.

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**Notes to the interim condensed consolidated financial statements
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(Currency - in Thousands of Turkish Lira (TL) unless otherwise indicated. All other currencies are also expressed in thousands)

7. Due from and due to related parties - net

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

Institutions under state control are defined as related parties due to 30% ownership and the golden share of the Treasury. State controlled entities are defined as related parties but in accordance with the exemption given from the TMS 24 disclosure requirements, state controlled entities are excluded from general reporting requirements.

Details of balances and transactions between the Group and other related parties as at 31 March 2014 and 31 December 2013 are disclosed below:

	31 March 2014	31 December 2013
Due from related parties		
Parent company		
Saudi Telecom Company ("STC") (2)	33.181	34.260
Oger Telecom	-	-
Other related parties		
Oger Telekom Yönetim Hizmetleri Limited Şirketi ("OTYH") (1)	105	189
Cell C Ltd. (1)	-	304
Oger Systems Company Ltd. (1)	1.033	978
Other	-	196
	34.319	35.927
Due to related parties		
Parent company		
STC (2)	1.835	1.656
Other related parties		
OTYH (1)	7.996	8.012
Oger Systems Company Ltd. (1)	212	213
	10.043	9.881

(1) a subsidiary of Oger Telecom

(2) shareholder of Oger Telecom

Transactions with shareholders:

Avea is required under the terms of the Avea Concession Agreement, to pay 15% share to the Treasury (the Treasury Share) of its monthly gross revenue. Besides, the Company and its other subsidiaries that are operating in the telecommunications sector, are required to pay universal service fund at 1% of revenues and ICTA share at 0,35% of revenues to the Ministry of Transport, Maritime Affairs and Communications under the law Global Service Act numbered 5369.

As of 31 March 2014, unpaid portion of Treasury Share, universal service fund and ICTA share are recorded under other short term liabilities and these expenses are accounted at cost of sales account.

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

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Notes to the interim condensed consolidated financial statements for the period ended 31 March 2014 (continued)

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

Transactions with other related parties:

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

Operational lease payment made to PTT by the Company as part of the lease agreement amounts to TL 17.057 TL in 2014 (31 March 2013– TL 15.405).

The Company is rendering and receiving international traffic carriage services and data line rent services to and from STC. Total revenues and expenses incurred in relation to these services amounted to TL 7.633 and TL 249, respectively, as of 31 March 2014 (31 March 2013 – TL 8.466 revenues and TL 249 expenses)

Compensation of key management personnel

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

	1 January - 31 March 2014	1 January - 31 March 2013
Short-term benefits	21.582	11.460
Long-term defined benefit plans	254	546
	21.836	12.006

Furthermore, OTMSC charged to the Company a management fee amounting to TL 6.569 and an expense fee for an amount of TL 30 TL for the period ended 31 March 2014 (31 March 2013 – TL 5.426 and TL 81), 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: USD 8.500) for three years.

Guarantees provided to related parties:

The Company guaranteed EUR 8.000 to support financing of Cetel.

(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 interim condensed consolidated financial statements for the period ended 31 March 2014 (continued)

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

8. Financial liabilities– Net

Bank Borrowings

Bank borrowings and financial lease obligations used by the Group during the period ended 31 March 2014 amounts to TL 2.687.956 (31 March 2013 – TL 2.728.155).

The total principal repayment of bank borrowings and financial leases during the period ended 31 March 2014 amounts to TL 2.622.250 (31 March 2013 – TL 2.218.390).

	31 March 2014			31 December 2013		
	Weighted average nominal interest rate (%)	Original amount	TL equivalent	Weighted average nominal interest rate (%)	Original amount	TL equivalent
Short-term borrowings:						
TL bank borrowings with fixed interest rates	11,14	408.913	408.913	3,63	54.573	54.573
Interest accruals:						
TL bank borrowings with fixed interest rates		2.503	2.502		556	556
Short-term borrowings			411.415			55.129
Short-term portion of long-term bank borrowings:						
USD bank borrowings with fixed interest rates	3,08	62.581	137.040	3,10	61.404	131.055
USD bank borrowings with variable interest rates (*)	2,99	395.675	866.449	3,08	350.771	748.651
Euro bank borrowings with variable interest rates (**)	2,41	422.816	1.271.492	2,47	424.456	1.246.415
JPY bank borrowings with variable interest rates (***)	2,64	3.316.367	70.808	2,65	1.657.047	33.524
Interest accruals of long-term bank borrowings						
USD bank borrowings with fixed interest rates		5.538	12.127		943	2.013
USD bank borrowings with variable interest rates (*)		9.867	21.607		9.805	20.927
Euro bank borrowings with variable interest rates (**)		5.812	17.478		4.530	13.302
JPY bank borrowings with variable interest rates (***)		1.459	32		735	15
Short-term portion of long-term bank borrowings			2.397.033			2.195.902
Total short-term borrowings			2.808.448			2.251.031
Long-term borrowings:						
USD bank borrowings with fixed interest rates	3,08	232.586	509.317	3,10	231.545	494.187
USD bank borrowings with variable interest rates (*)	2,99	1.471.651	3.222.621	3,08	1.487.391	3.174.539
Euro bank borrowings with variable interest rates (**)	2,41	684.015	2.056.977	2,47	789.909	2.319.575
JPY bank borrowings with variable interest rates (***)	2,64	1.663.232	35.512	2,65	3.314.094	67.047
Total long-term borrowings			5.824.427			6.055.348
Total financial liabilities			8.632.875			8.306.379

(*) Libor + (varies between %0,80 – %3,40) spread

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

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

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8. Financial Liabilities - Net (continued)

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

	31 March 2014				Total	31 December 2013				Total
	Up to 3 moths	3 months to 1 year	1 year to 5 years	More than 5 year		Up to 3 moths	3 months to 1 year	1 year to 5 years	More than 5 year	
TL bank borrowings with fixed interest rates	384.293	27.122	-	-	411.415	38.144	16.985	-	-	55.129
USD bank borrowings with fixed interest rates	76.185	72.982	467.803	41.514	658.484	5.926	127.142	452.601	41.586	627.255
USD bank borrowings with variable interest rates	40.303	845.335	2.312.526	910.095	4.108.259	325.372	444.206	2.338.038	836.501	3.944.117
Euro bank borrowings with variable interest rates	190.939	1.100.449	1.731.075	325.902	3.348.365	330.059	929.658	2.003.870	315.705	3.579.292
JPY bank borrowings with variable interest rates	-	70.840	35.512	-	106.352	15	33.524	67.047	-	100.586
	691.720	2.116.728	4.546.916	1.277.511	8.632.875	699.516	1.551.515	4.861.556	1.193.792	8.306.379

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

9. Trade receivables and payables from third parties

a) Trade receivables

	31 March 2014	31 December 2013
Short-term		
Trade receivables	4.197.340	4.010.368
Other trade receivables	82.492	68.757
Income accruals	480.709	545.468
Allowance for doubtful receivables (-)	(1.562.594)	(1.532.987)
Total short-term trade receivables	3.197.947	3.091.606
Long-term		
Trade receivables	39.068	34.275
Total long-term trade receivables	39.068	34.275

Trade receivables generally have an average 30 day terms (2013 – 30 days).

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9. Trade receivables and payables from third parties) (continued)

a) Trade receivables (continued)

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

	1 January 2014 -31 March 2014	1 January 2013 - 31 March 2013
At January 1	(1.532.987)	(1.397.912)
Provision for the year	(74.060)	(80.241)
Reversal of provision - collections	44.575	38.734
Write off of doubtful receivables	5	224
Change in currency translation differences	(127)	58
At 31 March	(1.562.594)	(1.439.137)

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 March 2014 and 31 December 2013 the analysis of trade receivables that were past due but not impaired is as follows:

	Total	Neither past due nor impaired	Past due but not impaired					>360 days
			> 30 days	30-60 days	60-90 days	90-120 days	120-360 days	
31 March 2014	3.237.015	2.106.575	220.150	232.905	110.726	90.040	188.063	288.556
31 December 2013	3.125.881	2.048.236	201.826	211.024	105.557	77.995	199.192	282.051

Receivables guaranteed of the Group are amounting to TL 26.618 (31 December 2013 – TL 22.760).

b) Trade payables

	31 March 2014	31 December 2013
Short-term		
Trade payables	827.606	1.406.103
Expense accruals	489.753	318.401
Other trade payables	14.885	13.244
Total short-term trade payables	1.332.244	1.737.748

As of 31 March 2014, the Group does not have any payable to suppliers due to TAFICS projects (31 December 2013 – 16.480) (Note 6).

The average term of trade payables is between 30 and 90 days (2013 – 30 and 90 days).

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**Notes to the interim condensed consolidated financial statements
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10. Tangible, intangible assets , investment property and non-current assets held for sale

The amount of tangible and intangible assets purchased during the three month period ended 31 March 2014 is TL 279.155 (31 March 2013 – TL 254.457).

Net book value of tangible and intangible assets sold during the three month period ended 31 March 2014 amounted to TL 30.032 (31 March 2013 – TL 7.758).

As of 31 March 2014, based on the decision of Board of Directors to sell 107 different real estates, these assets were classified as held for sale (31 March 2014 – TL 34.904, 31 December 2013 – 46.747). The assets are measured at the lower of their carrying value and fair value less costs to sell.

11. Provisions for employee employee benefits

	31 March 2014	31 December 2013
Short term provisions for employee benefits		
Personnel bonus provision	131.163	829
Unused vacation provisions	55.223	-
	186.386	829
Long term provisions for employee benefits		
Unused vacation provisions	20.161	64.378
	20.161	64.378

The movement of unused vacation provisions is stated below:

	1 January - 31 March 2014	1 January - 31 March 2013
Provisions at 1 January	64.378	91.435
Settled provisions	(637)	(10.496)
Provision for the period	16.836	11.053
Provisions used / reversed	(5.209)	(4.256)
Foreign currency translation difference	16	(15)
Provisions at 31 March	75.384	87.721

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12. Employee termination benefits

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

The retirement pay liability as at 31 March 2014 is subject to a ceiling of full TL 3.438,22 (31 December 2013 – full TL 3.254,44) per monthly salary for each service year.

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

	1 January - 31 March 2014	1 January - 31 March 2013
Defined benefit obligation at January 1	585.394	749.489
Current service cost	11.036	13.372
Interest cost	11.995	12.480
Actuarial loss (*)	1.425	37.074
Benefits paid by the group	(3.471)	(192.440)
Foreign currency translation difference	(24)	(13)
Liabilities as at 31 March	606.355	619.962

(*) For the three month period ended as at 31 March 2014, actuarial loss amounting to TL 1.425 (31 March 2013 – 37.074) has been reflected to other comprehensive income.

ii) Total expense recognized in the consolidated statement of income:

	1 January - 31 March 2014	1 January - 31 March 2013
Current service cost	11.036	13.372
Interest cost	11.995	12.480
Past service cost	-	-
Total net cost recognized in the consolidated statement of income	23.031	25.852
Settlement gain recognized	-	-
Total net income recognized in the consolidated statement of income	-	-

iii) Principal actuarial assumptions use:

	31 March 2014	31 December 2013
Discount rate	% 9.0	%8.5
Expected rate of ceiling increases	% 5.0	%5.0

The age dependent voluntary withdrawal rate for the next years for the Group's remaining employees is estimated to change between 0,62% and 7,06% (2013 – average 0,62% ile 7,08%).

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**Notes to the interim condensed consolidated financial statements
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13. Other assets, liabilities and employee benefit obligations

a) Other current assets

	31 March 2014	31 December 2013
Intermediary services for collection (1)	70.105	86.350
Advances given (2)	33.047	41.896
Value Added Tax (VAT) and Special Communications Tax (SCT) receivable	13.100	29.228
Other current assets	3.271	6.829
	119.523	164.303

1) Intermediary services and sales for collection consist of advances given by Avea to its distributors.

2) Advances given mostly consist of advances given to suppliers.

b) Other non-current assets

	31 March 2014	31 December 2013
Intermediary services for collection (1)	15.196	18.858
Other non-current assets	1	2
	15.197	18.860

1) Intermediary services and sales for collection consist of advances given by Avea to its distributors.

c) Other current liabilities

	31 March 2014	31 December 2013
Advances received (1)	40.813	40.727
Other liabilities	8.088	13.816
	48.901	54.543

1) 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).

d) Employee benefit obligations

	31 March 2014	31 December 2013
Payables to personnel	14.691	21.568
Employee's income tax payables	22.926	42.714
Social security premiums payable	42.683	41.188
	80.300	105.470

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14. Minority put option liability

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

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

While determining fair value of minority put option liability as of 31 March 2014, 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 March 2014. The value determined as at 1 January 2015 is then discounted back to 31 December 2013. The fair value of the put option liability as at 31 December 2013 amounts to TL 496.669 (31 December 2013 – TL 483.946). In accordance with Group's accounting policies, the change between fair values of minority put option liabilities as of 31 March 2014 and 31 December 2013 has been accounted in other reserves under equity.

In order to reflect the minority put option liability in the interim condensed consolidated financial statements, the non-controlling interest (after carrying amount was adjusted for current period result) as at 31 March 2014, amounting to negative TL 237.582 (31 December 2013 – negative TL 251.139), has been reclassified from equity to "minority put option liability" under long-term liabilities after appropriation of profit / loss to the non-controlling interest for the period. The fair value of minority put option liability, has been determined as TL 496.669 (31 December 2013 - TL 483.946), and the difference of TL 259.087 (31 December 2013 - TL 232.807) is reflected in equity as "minority put option liability reserve", based on the Group's accounting policy for the acquisition of non-controlling interest.

The fair value of the minority put option liability has been estimated based on multiple approaches including discounted cash flows after 31 December 2014. The enterprise value used as a base for the put option fair value determination has been calculated by using cash flow projections from the business plan of Avea covering a five-year plan. WACC used for the discount of cash flows are 14,68% and 15,59% for taxable and non-taxable periods, respectively. The valuation is tested at a sensitivity of +2% / -2%. The value in use projections are based on a discounted cash flow (DCF) study implemented until 2029. The average of the values determined as of 1 January 2015 is then discounted back to 31 March 2014.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**Notes to the interim condensed consolidated financial statements
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15. Commitments and contingencies

Guarantees received and given by the Group are summarized below:

		31 March 2014		31 December 2013	
		Original currency	TL	Original currency	TL
Guarantees received	USD	189.360	414.661	216.791	462.697
	TL	694.188	694.188	703.026	703.026
	Euro	92.743	278.897	100.158	294.114
	Sterling	8	29	8	28
		1.387.775		1.459.865	
Guarantees given (*)	USD	167.789	367.424	164.232	350.520
	TL	149.735	149.735	144.141	144.141
	Euro	19.836	59.651	19.822	58.207
	Other	39	26	41	27
Total		576.836		552.895	

(*) US Dollar 151.500 of the amount (2013 – 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 (2013 – Euro 12.840) license.

The Company's guarantee, pledge and mortgage (GPM) position as at 31 March 2014 and 31 December 2013 is as follows:

GPMs given by the Company	31 March 2014	31 December 2013
A.GPMs given on behalf of the Company's legal personality	576.636	552.696
B.GPMs given in favor of subsidiaries included in full consolidation	139.433	136.160
C.GPMs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	-	-
D.Other GPMs	24.058	23.492
i. GPMs given in favor of parent company	-	-
ii. GPMs given in favor of Company companies not in the scope of B and C above	24.058	23.492
iii. GPMs given in favor of third party companies not in the scope of C above	-	-
Total	740.127	712.348

GPMs given by the Group as at 31 March 2014 are equivalent to 0,42% of the Company's equity (31 December 2013 – 0,44%).

Based on law 128/1 of Turkish Code of Obligations, Avea has given TL 445.591 amounted guarantee to distributors for the financial obligation that would arise during the purchase of devices that will be sold as commitment sales by Avea (31 December 2013 – TL 329.839).

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15. Commitments and contingencies (continued)

Other commitments

The Group has purchase commitments for sponsorships and advertising services at the amount of 43.539 US Dollar, 1.160 Euro and TL 2.748, equivalent to TL 101.578 (31 December 2013 – TL 101.895) as at 31 March 2014. Payments for these commitments are going to be made in a 6-year period.

The Group has purchase commitments for capex purchases at the amount of 41.847 US Dollar, 12.940 Euro and TL 233.896, equivalent to TL 364.447 (31 December 2013 – TL 305.836) as at 31 March 2014.

Legal proceedings of Türk Telekom

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

Disputes between Türk Telekom and Turkcell İletişim Hizmetleri A.Ş (“Turkcell”)

The Company and Turkcell have disputes over international interconnection and leased line rates charged by the Company. Based on the assessments of the Company management and its legal counsel, as of and for the period ended 31 March 2014, total provision in relation to these litigations for principal and interest amounted to TL 86.628 as of 31 March 2014 (31 December 2013 – TL 83.501).

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 11.852 (31 December 2013 – TL 6.566) has been provided as of 31 March 2014 for the ongoing cases.

Disputes between the Company and Metropolitan Municipality

Total amount filed against the Company by Istanbul Metropolitan Municipality as contribution to the infrastructure investment and municipality share is TL 17.910. A cumulative provision amounting to TL 52.686 (31 December 2013 – TL 52.236) including the nominal amount and legal interest charges has been recognised as at 31 March 2014.

Disputes between the Group and the ICTA

The Company has filed various lawsuits against ICTA. These lawsuits are related with the sector-specific and tariff legislations and legislations with respect to the other operators in the market. The sector-specific disputes generally stem from the objections with respect to the provisions of interconnection legislation, legislation with respect to telecommunication services and infrastructure. As of 31 March 2014 TL 47.004 provision provided for ICTA penalties (31 December 2013 - TL 59.364).

Other issues

Provision has been provided in the interim condensed consolidated financial statements for the probable court cases against the Group based on the lawyers' assessments. The provision for such court cases is amounting to TL 44.774 as at 31 March 2014 (31 December 2013 – TL 32.271). For the rest of the cases, Group lawyers commented that basis of those cases are not realistic and should be appealed. Therefore, no provision has been provided for these cases.

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16. Financial risk management objectives and policies

Foreign currency risk

	31 March 2014						31 December 2013					
	TL Equivalent	US Dollar	Euro	JPY	GBP	Other	TL equivalent	USD	Euro	JPY	GBP	Other
1. Trade receivables	217.589	55.023	32.234	-	-	288	329.205	65.864	63.986	-	-	1.293
2a. Monetary financial assets (Cash and banks accounts included)	92.421	17.767	17.789	-	5	-	296.736	19.294	87.018	556	5	-
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-	-	-
3. Other	94.338	10.776	23.524	-	-	-	52.969	1.066	17.264	-	-	-
4. Current assets (1+2+3)	404.349	83.566	73.546	-	5	288	678.910	86.224	168.268	556	5	1.293
5. Trade receivables	-	-	39	-	-	-	-	-	53	-	-	-
6a. Monetary financial assets	37.941	14.701	1.912	-	-	-	64.598	27.620	1.912	1.691	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-	-	-
7. Other	379	1	126	-	-	-	938	213	165	-	-	-
8. Non-current assets (5+6+7)	38.320	14.702	2.077	-	-	-	65.536	27.833	2.130	1.691	-	-
9. Total assets (4+8)	442.669	98.268	75.623	-	5	288	744.446	114.057	170.398	2.247	5	1.293
10. Trade payables	387.336	135.496	30.166	-	1	(154)	619.533	213.203	55.948	-	63	7
11. Financial liabilities	2.380.431	474.144	422.719	3.317.826	31	-	2.188.106	427.448	423.043	1.657.782	-	-
12a. Monetary other liabilities	54.339	9.324	11.280	-	-	-	45.427	5.930	11.160	-	-	-
12b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-	-	-
13. Short-term liabilities (10+11+12)	2.822.106	618.964	464.165	3.317.826	32	(154)	2.853.066	646.581	490.151	1.657.782	63	7
14. Trade payables	-	-	-	-	-	-	-	-	-	-	-	-
15. Financial liabilities	5.755.018	1.706.001	659.652	1.663.232	-	-	6.003.327	1.727.072	766.283	3.314.094	-	-
16 a. Monetary other liabilities	90.859	-	30.214	-	-	-	90.428	31	30.772	-	-	-
16 b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-	-	-
17. Long-term liabilities (14+15+16)	5.845.877	1.706.001	689.866	1.663.232	-	-	6.093.755	1.727.103	797.055	3.314.094	-	-
18. Total liabilities (13+17)	8.667.983	2.324.965	1.154.031	4.981.058	32	(154)	8.946.821	2.373.684	1.287.206	4.971.876	63	7
19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b)	407.071	-	100.000	4.981.058	-	-	101.155	-	-	4.971.876	-	-
19a. Total asset amount hedged	-	-	-	-	-	-	-	-	-	-	-	-
19b. Total liability amount hedged	(407.071)	-	(100.000)	(4.981.058)	-	-	(101.155)	-	-	(4.971.876)	-	-
20. Net foreign currency asset/(liability) position (9-18+19)	(7.818.243)	(2.226.697)	(978.408)	-	(27)	442	(8.101.220)	(2.259.627)	(1.116.808)	2.247	(58)	1.286
21. Net asset/(liability) position of foreign currency monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(8.320.032)	(2.237.474)	(1.102.057)	(4.981.058)	(27)	442	(8.256.282)	(2.260.906)	(1.134.237)	(4.969.629)	(58)	1.286
22. Fair value of FX swap financial instruments	-	-	-	-	-	-	-	-	-	-	-	-
23. Hedged amount of foreign currency assets	-	-	-	-	-	-	-	-	-	-	-	-
24. Hedged amount of foreign currency liabilities	-	-	-	(4.981.058)	-	-	-	-	-	(4.971.876)	-	-

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**Notes to the interim condensed consolidated financial statements
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16. Financial risk management objectives and policies (continued)**Foreign currency risk**

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar and Euro exchange rate, with all other variables held constant, of the Group's net profit for the year (due to changes in the fair value of monetary assets and liabilities):

31 March 2014	Profit / Loss		Other comprehensive Income	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Appreciation of USD against TL by 10%:				
1- USD net asset/liability	(487.029)	487.029	(3.942)	3.942
2- Hedged portion of USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(487.029)	487.029	(3.942)	3.942
Appreciation of Euro against TL by 10%:				
4- Euro net asset/liability	(331.411)	331.411	(5.847)	5.847
5- Hedged portion of Euro risk (-)	30.072	(30.072)	-	-
6- Euro net effect (4+5)	(301.339)	301.339	(5.847)	5.847
Appreciation of JPY against TL by 10%:				
7- JPY net asset/liability	(10.625)	10.625	(10)	-
8- Hedged portion of JPY risk (-)	10.625	(10.625)	10	-
9- JPY net effect (7+8)	-	-	-	-
Appreciation of other foreign currencies against TL by 10%:				
10- Other foreign currency net asset/liability	16	(16)	-	-
11- Hedged portion of other foreign currency (-)	-	-	-	-
12- Other foreign currency net effect (10+11)	16	(16)	-	-
Total (3+6+9+12)	(788.352)	788.352	(9.789)	9.789
<hr/>				
31 December 2013	Profit / Loss		Other comprehensive Income	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Appreciation of USD against TL by 10%:				
1- USD net asset/liability	(479.117)	479.117	(4.159)	4.159
2- Hedged portion of USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(479.117)	479.117	(4.159)	4.159
Appreciation of Euro against TL by 10%:				
4- Euro net asset/liability	(333.069)	333.069	(13.231)	13.231
5- Hedged portion of Euro risk (-)	-	-	-	-
6- Euro net effect (4+5)	(333.069)	333.069	(13.231)	13.231
Appreciation of JPY against TL by 10%:				
7- JPY net asset/liability	(10.049)	10.049	(5)	-
8- Hedged portion of JPY risk (-)	10.049	(10.049)	5	-
9- JPY net effect (7+8)	-	-	-	-
Appreciation of other foreign currencies against TL by 10%:				
10- Other foreign currency net asset/liability	53	(53)	-	-
11- Hedged portion of other foreign currency (-)	-	-	-	-
12- Other foreign currency net effect (11+12)	53	(53)	-	-
Total (3+6+9)	(812.133)	812.133	(17.390)	17.390

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16. 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 interim condensed consolidated financial statements.

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

	Carrying amount		Fair value	
	Current Period	Prior Period	Current Period	Prior Period
Financial assets				
Cash and cash equivalents	1.518.436	1.063.711	1.518.436	1.063.711
Trade and other receivables (including related parties)	3.422.601	3.314.793	3.422.601	3.314.793
Other current and non-current assets	-	-	-	-
Other financial investments	11.840	11.840	(*)	(*)
Financial liabilities				
Bank borrowings	8.632.875	8.306.379	8.632.875	8.305.998
Financial leasing liabilities	25.234	27.129	25.234	27.129
Trade and other payables	1.391.026	1.814.615	1.391.026	1.814.615
Other financial liabilities	496.669	483.946	496.669	483.946
Derivative financial liabilities	466	24.665	466	24.665

(*) Group's share in Cetel is carried at cost. Information on fair value of share in Cetel is not available.

Fair value hierarchy table

The group classifies the fair value measurement of each class of financial instruments according to the source, using the three-level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques includes direct or indirect observable inputs

Level 3: Valuation techniques does not contains observable market inputs

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16. Financial risk management objectives and policies (continued)**Fair value hierarchy table (continued)**

Fair value hierarchy table as at 31 March 2014 is as follows:

	Date of Valuation	Fair Value Measurement			
		Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets measured at fair value through profit or loss					
Derivative Financial Assets:					
Interest Rate Swaps - USD Dollar	31 March 2014	29.792	-	29.792	-
Foreign Exchange Forward Contracts– JPY	31 March 2014	2.719	-	2.719	-
Foreign Exchange Forward Contracts– EUR	31 March 2014	14.464	-	14.464	-
Commodity Derivative (Copper)	31 March 2014	-	-	-	-
Financial liabilities measured at fair value through profit or loss					
Derivative Financial Liabilities:					
Interest Rate Swaps - USD Dollar	31 March 2014	255	-	255	-
Foreign Exchange Forward Contracts– JPY	31 March 2014	-	-	-	-
Commodity Derivative (Copper)	31 March 2014	210	-	210	-
Other Financial liabilities measured at fair value through profit or loss					
Minority Put Option Liability	31 March 2014	496.669	-	-	496.669

Descriptions of significant unobservable inputs to valuation:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of the input to fair value
Avea minority put option liability	Discounted cash flows method	Long-term revenue growth rate	%0,35 -% 3 decrease in revenue growth rate	Increasing/decreasing the decrease in the growth rate by 1%, decreases/increases the fair value by TL 98.877.
		WACC	14,7% - 15.6%	Increasing the WACC by 1%, decreases the fair value by TL 34.427, decreasing the WACC by 1%, increases the fair value by TL 37.292

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16. Financial risk management objectives and policies (continued)

Fair value hierarchy table (continued)

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

	Date of Valuation	Fair Value Measurement			
		Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets measured at fair value through profit or loss					
Derivative Financial Assets:					
Interest Rate Swaps - USD Dollar	31 December 2013	58.950	-	58.950	-
Foreign Exchange Forward Contracts– JPY	31 December 2013	1.111	-	1.111	-
Comodity Derivative (Copper)	31 December 2013	-	-	-	-
Financial liabilities measured at fair value through profit or loss					
Derivative Financial Liabilities:					
Interest Rate Swaps - USD Dollar	31 December 2013	13.303	-	13.303	-
Foreign Exchange Forward Contracts– JPY	31 December 2013	-	-	-	-
Comodity Derivative (Copper)	31 December 2013	11.363	-	11.363	-
Other Financial liabilities measured at fair value through profit or loss					
Minority Put Option Liability	31 December 2013	483.946	-	-	483.946

Capital management policies

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

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

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or return capital to shareholders. No changes were made in the objectives, policies or processes during 2014 and 2013.

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17. Other financial investments and other financial liabilities

Cash flow hedges and derivative financial instruments

Interest rate swaps

The Company has also entered into an eight-part 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. In addition, the Company has also entered into a four-part cap transactions between 8 April 2013 and 17 April 2013 with a maturity date on 21 August 2023 and a total notional amount of US Dollar 200.000. As of 31 March 2014 fair value of derivative transactions amounting to TL 29.792 (31 December 2013 – TL 1.536 current liabilities, TL 58.950 non-current asset) has been recognised under long term financial liabilities. Unrealised loss on these derivatives amounting to TL 27.621 (31 December 2013- TL 90.590 gain) has been recognised in other comprehensive income.

Company	Notional Amount (USD Dollar)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 March 2014 (TL)
Türk Telekom	400.000	11 April 2012 – 30 April 2012	19 March 2014	Pay fixed rates between March 2022 and March 2014, and receive floating rates	4.272
Türk Telekom	400.000	11 April 2012 – 30 April 2012	21 March 2022	Pay fixed rates between 19 August 2015 and 21 August 2023, and receive floating rates	25.520
					29.792

Company	Notional Amount (USD Dollar)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 December 2013 (TL)
Türk Telekom	400.000	11 April 2012 – 30 April 2012	19 March 2014	Pay fixed rates between March 2012 and March 2014, and receive floating rates	(1.536)
Türk Telekom	400.000	11 April 2012 – 30 April 2012	21 March 2022	Pay fixed rates between March 2014 and March 2022, and receive floating rates	22.356
Türk Telekom	200.000	8 April 2013 – 17 April 2013	21 August 2023	Pay fixed rates between 19 August 2015 and 21 August 2023, and receive floating rates	36.594
					57.414

Hedge of net investment in a foreign operation

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

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

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17. Other financial investments and other financial liabilities (continued)

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

Other derivative instruments which are not designated as hedge

The Company has also entered into an 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. In addition, the Company has also entered into a four-part cap transactions between 8 April 2013 and 17 April 2013 with a maturity date on 21 August 2023 and a total notional amount of US Dollar 200.000. As of 31 March 2014 fair value of derivative transactions amounting to TL 255 (31 December 2013 – TL 11.766) has been recognised under long term financial liabilities. Unrealised loss on these derivatives amounting to TL 11.511 (31 December 2013- TL 14.922 loss) has been recognised in the consolidated statement of profit or loss.

Company	Notional Amount (USD Dollar)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 March 2014 (TL)
Türk Telekom	400.000	11 April 2012 – 30 April 2012	21 March 2022	Pay the difference between floating rate and 6% if floating rate exceeds 6%, between March 2014 and March 2022, and receive fixed premium (%0,24-0,27)	2.400
Türk Telekom	200.000	8 April 2013 – 17 April 2013	21 August 2023	Pay the difference between floating rate and 6% if floating rate exceeds 6%, between August 2015 and August 2023, and receive fixed premium (%0,24-0,27)	(2.655)
					(255)

Company	Notional Amount (USD Dollar)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 December 2013 (TL)
Türk Telekom	400.000	11 April 2012 – 30 April 2012	21 March 2022	Pay the difference between floating rate and 6% if floating rate exceeds 6%, between 19 March 2014 and 21 March 2022, and receive fixed premium (%0,24-0,27)	(4.693)
Türk Telekom	200.000	8 April 2013 – 17 April 2013	21 August 2023	Pay the difference between floating rate and 6% if floating rate exceeds 6%, between 21 August 2015 and 21 August 2023, and receive fixed premium (%0,24-0,27)	(7.073)
					(11.766)

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17. Other financial investments and other financial liabilities (continued)

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

The Company has also entered into a third-part copper option transactions between 21 August and 27 November 2013 with a maturity date on 05 January 2015 and a total notional amount of 8.100 tonnes. (31.December.2013 – 12.800 tonnes) As of 31 March 2014 fair value of derivative transactions amounting to TL 210 has been recognised under short term financial liabilities. (31 December 2013 – TL 7.134 current liabilities, TL 4.229 non-current liabilities.) Unrealised loss on these derivatives amounting to TL 11.153 has been recognised in the consolidated statement of profit or loss.

Company	Notional Amount (tonnes)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 March 2014 (TL)
Türk Telekom	8.100	21 August 2013-19 November 2013	30 June 2014	Pay floating price at 30 June 2014 and receive fixed price.	(210)
					(210)

Company	Notional Amount (tonnes)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 December 2013 (TL)
Türk Telekom	10.100	21 August 2013 - 19 November 2013	30 June 2014	Pay floating price at 30 June 2014 and receive fixed price.	(7.134)
Türk Telekom	2.700	19 November 2013 - 27 November 2013	1-5 January 2015	Pay floating price on January 2015 and receive fixed price.	(4.229)
					(11.363)

The Company has also entered into nine-part JPY forward transactions at 11 November 2013 with a maturity date on 25 September 2015 with a total notional amount of JPY 4.999.999. As of 31 March 2013 fair value of derivative transactions amounting to TL 1.460 has been recognized under short term financial assets and TL 1.259 has been recognized under long term financial assets. (31 December 2013 – TL 275 current liabilities, TL 836 non-current liabilities.) Unrealized gain on these derivatives amounting to TL 1.608 has been recognized in consolidated statement of profit or loss.

Company	Notional Amount (JPY)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 March 2014 (TL)
Türk Telekom	1.666.667	11 October 2013	26 September 2014	Buy JPY at September 2014 and sell TL	1.460
Türk Telekom	3.333.333	11 October 2013	27 March - 25 September 2015	Buy JPY at March-September 2015 and sell TL.	1.259
					2.719

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

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17. Other financial investments and other financial liabilities (continued)

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

Company	Notional Amount (JPY)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 December 2013 (TL)
Türk Telekom	1.666.667	11 October 2013	26 September 2014	Buy JPY at September 2014 and sell TL	275
Türk Telekom	3.333.333	11 October 2013	27 March - 25 September 2015	Buy JPY at March- September 2015 and sell TL.	836
					1.111

The Company has also entered into two-part EUR forward transactions at 19 March 2014 with a maturity date on 30 April 2014 with a total notional amount of EUR 100.000. As of 31 March 2014 fair value of derivative transactions amounting to TL 14.464 has been recognized under short term financial assets. Unrealized gain on these derivatives amounting to TL 14.464 has been recognized in other comprehensive income.

Company	Notional Amount (EUR)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 March 2014 (TL)
Türk Telekom	100.000	19 March 2014	30 April 2014	Buy EUR at April 2014 and sell TL	14.464
					14.464

18. Subsequent events

None.