

**Türk Telekomünikasyon  
Anonim Şirketi and Its Subsidiaries**

**30 June 2015**

Interim Condensed Consolidated  
Financial Statements As At and For  
The Six Month Period  
Ended 30 June 2015

22 July 2015

*This report contains 48 pages of financial  
statements and explanatory notes.*

(Convenience translation of a report and financial statements originally issued in Turkish (See Note 2.1))  
**TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015**

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

**TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015**

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

		<b>Current period</b>	<b>Prior period</b>
		<b>Reviewed</b>	<b>Audited</b>
	<i>Notes</i>	<b>30 June 2015</b>	<b>31 December 2014</b>
<b>Assets</b>			
<b>Current assets</b>			
		<b>6.563.179</b>	<b>6.413.004</b>
Cash and cash equivalents	6	1.990.706	2.538.446
Trade receivables			
- Due from related parties	8	11.414	17.757
- Trade receivables from third parties	9	3.284.377	3.115.181
Other receivables			
- Other receivables from third parties		47.444	39.948
Derivative financial instruments	17	277.409	74.032
Inventories		162.746	144.182
Prepaid expenses		517.545	263.072
Current tax related assets		32.838	6.355
Other current assets	12	213.020	187.664
		<b>6.537.499</b>	<b>6.386.637</b>
<b>Assets held for sale</b>	10	25.680	26.367
<b>Non-current assets</b>			
		<b>13.239.610</b>	<b>13.464.783</b>
Financial investments		11.840	11.840
Trade receivables			
- Trade receivables from third parties	9	33.973	40.113
Other receivables			
- Other receivables from third parties		45.237	45.330
Derivative financial instruments	17	33.165	24.395
Investment property	10	13.121	13.547
Property, plant and equipment	10	8.028.566	8.180.932
Intangible assets			
- Goodwill		48.734	48.734
- Other intangible assets	10	4.692.433	4.789.152
Prepaid expenses		49.838	30.392
Deferred tax assets		255.547	259.308
Other non-current assets	12	27.156	21.040
<b>Total assets</b>		<b>19.802.789</b>	<b>19.877.787</b>

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

**TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT**

**30 JUNE 2015**

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

		<b>Current period</b>	<b>Prior period</b>
		<b>Reviewed</b>	<b>Audited</b>
	<i>Notes</i>	<b>30 June 2015</b>	<b>31 December 2014</b>
<b>Liabilities</b>			
<b>Current liabilities</b>		<b>4.728.434</b>	<b>4.225.718</b>
Financial liabilities			
- Bank borrowings	7	328.637	29.414
Short term portion of long term financial liabilities			
- Bank borrowings	7	891.567	691.154
- Obligations under finance leases		14.205	12.961
- Bills, bonds and notes issued	7	6.959	4.943
Other financial liabilities			
- Non-controlling interest put option liability	13	625.496	439.664
Trade payables			
- Due to related parties	8	7.887	7.888
- Trade payables to third parties	9	1.507.930	1.541.161
Employee benefit obligations	12	104.010	275.767
Other payables			
- Due to related parties		-	-
- Other payables to third parties		466.433	463.088
Derivative financial instruments	17	83.310	-
Deferred revenue		114.791	110.709
Income tax payable		119.138	197.574
Short term provisions			
- Short term provisions for employee benefits	11	91.388	160.050
- Other short term provisions		314.288	241.259
Other current liabilities	12	52.395	50.086
<b>Non-current liabilities</b>		<b>10.496.385</b>	<b>9.348.729</b>
Financial liabilities			
- Bank borrowings	7	6.519.007	5.837.599
- Obligations under finance leases		2.822	6.995
- Bills, bonds and notes issued	7	2.658.303	2.294.732
Trade payables			
- Trade payables to third parties	9	63	613
Other payables			
- Other payables to third parties		8.818	7.619
Derivative financial instruments	17	95.176	84.592
Deferred revenue		257.019	255.555
Long term provisions			
- Provisions for employee termination benefits	11	593.709	555.595
- Long term provisions for employee benefits excluding employee termination benefits	11	82.484	68.907
- Other long-term provisions	11	7.652	7.593
Deferred tax liability		271.332	228.929
<b>Equity</b>		<b>4.577.970</b>	<b>6.303.340</b>
<b>Total equity attributable to parent</b>			
Paid-in share capital		3.500.000	3.500.000
Inflation adjustments to paid in capital (-)		(239.752)	(239.752)
Non-controlling interest put option liability reserve		(446.560)	(227.065)
Difference arising from the change in shareholding rate in a subsidiary		(858.134)	(858.134)
Share based payment reserve		9.528	9.528
Other comprehensive income items not to be reclassified to profit or loss			
- Actuarial loss arising from employee benefits		(381.585)	(382.368)
Other comprehensive income/expense items to be reclassified to profit or loss			
- Hedging reserves		(144.027)	(124.116)
- Foreign currency translation reserve		40.877	48.703
Restricted reserves allocated from profits		2.289.384	2.122.798
Retained earnings		446.307	446.307
Net profit for the period		361.932	2.007.439
<b>Total liabilities and equity</b>		<b>19.802.789</b>	<b>19.877.787</b>

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

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

**TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015**

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

		<b>Current Period</b>	<b>Current Period</b>	<b>Prior Period</b>	<b>Prior Period</b>
		<b>Reviewed</b>	<b>Not Reviewed</b>	<b>Reviewed</b>	<b>Not Reviewed</b>
	<i>Notes</i>	<b>1 January 2015 - 30 June 2015</b>	<b>1 April - 30 June 2015</b>	<b>1 January 2014 - 30 June 2014</b>	<b>1 April - 30 June 2014</b>
Sales	5	6.959.881	3.525.661	6.494.330	3.299.623
Cost of sales (-)	5	(3.496.128)	(1.761.219)	(3.264.596)	(1.646.757)
<b>Gross profit</b>		<b>3.463.753</b>	<b>1.764.442</b>	<b>3.229.734</b>	<b>1.652.866</b>
General administrative expenses (-)	5	(953.780)	(482.134)	(924.934)	(457.983)
Marketing, sales and distribution expenses (-)	5	(862.258)	(449.329)	(918.696)	(444.034)
Research and development expenses (-)	5	(27.861)	(14.320)	(32.155)	(16.837)
Other operating income	5	182.012	101.815	163.580	86.485
Other operating expense (-)	5	(247.199)	(133.691)	(143.566)	(69.596)
<b>Operating profit</b>		<b>1.554.667</b>	<b>786.783</b>	<b>1.373.963</b>	<b>750.901</b>
Income from investing activities	5	24.009	14.132	152.678	42.823
Expense from investing activities (-)	5	(867)	(451)	(2.897)	(2.174)
<b>Operating profit before financial expenses</b>		<b>1.577.809</b>	<b>800.464</b>	<b>1.523.744</b>	<b>791.550</b>
Financial income	5	922.095	434.582	1.035.208	598.455
Financial expense (-)	5	(1.983.348)	(786.366)	(1.052.173)	(360.882)
<b>Profit before tax</b>		<b>516.556</b>	<b>448.680</b>	<b>1.506.779</b>	<b>1.029.123</b>
<b>Tax expense</b>					
- Current tax expense		(140.298)	(91.449)	(380.278)	(205.124)
- Deferred tax income/(expense)		(47.942)	(33.760)	35.734	(32.199)
<b>Profit for the year</b>		<b>328.316</b>	<b>323.471</b>	<b>1.162.235</b>	<b>791.800</b>
<b>Profit attributable to:</b>					
Non-controlling interests		(33.616)	(11.746)	(22.755)	(9.199)
Attributable to equity holders of the parent		361.932	335.216	1.184.990	800.999
Earnings per shares attributable to equity holders of the parent from (in full Kuruş)	4	0,1034	0,0958	0,3386	0,2289
Earnings per diluted shares attributable to equity holders of the parent from (in full Kuruş)	4	0,1034	0,0958	0,3386	0,2289

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**TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015**

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

		<b>Current Period</b>	<b>Current Period</b>	<b>Prior Period</b>	<b>Prior Period</b>
		<b>Reviewed</b>	<b>Not Reviewed</b>	<b>Reviewed</b>	<b>Not Reviewed</b>
	<i>Notes</i>	<b>1 January 2015 - 30 June 2015</b>	<b>1 April - 30 June 2015</b>	<b>1 January 2014 - 30 June 2014</b>	<b>1 April - 30 June 2014</b>
<b>Profit for the period</b>		<b>328.316</b>	<b>323.471</b>	<b>1.162.235</b>	<b>791.800</b>
<b>Other comprehensive income items not to be reclassified to profit or loss:</b>					
<b>Items not to be reclassified to profit or loss:</b>					
Actuarial gain/ (loss) from employee benefits	<i>11</i>	1.041	1.681	(25.307)	(23.882)
Tax effect of actuarial loss from employee benefits		(305)	(433)	4.986	4.702
<b>Other comprehensive income items to be reclassified to profit or loss:</b>					
Change in foreign currency translation differences		(7.826)	2.088	(3.700)	(6.619)
Cash flow hedges-effective portion of changes in fair value	<i>17</i>	(13.352)	47.146	(73.603)	(44.872)
Tax effect of cash flow hedges-effective portion of changes in fair value	<i>17</i>	2.670	(9.430)	14.721	8.974
Hedge of net investment in a foreign operation	<i>17</i>	(11.536)	(10.794)	(3.446)	(9.206)
Tax effect of hedge of net investment in a foreign operation	<i>17</i>	2.307	2.159	690	1.842
<b>Other comprehensive income, net of tax</b>		<b>(27.001)</b>	<b>32.417</b>	<b>(85.659)</b>	<b>(69.061)</b>
<b>Total comprehensive income</b>		<b>301.315</b>	<b>355.888</b>	<b>1.076.576</b>	<b>722.739</b>
<b>Appropriation of total comprehensive income:</b>					
Non-controlling interest		<b>(33.663)</b>	<b>(11.792)</b>	<b>(22.792)</b>	<b>(9.236)</b>
Attributable to equity holders of the parent		<b>334.978</b>	<b>367.680</b>	<b>1.099.368</b>	<b>731.975</b>

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**TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015**

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

						Other comprehensive income items not to be reclassified to profit or loss in subsequent periods	Other comprehensive income items to be reclassified to profit or loss in subsequent periods			Retained earnings					
	Paid-in share capital	Inflation adjustment to paid in capital	Non controlling interest 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
<b>Balance at 1 January 2014</b>	<b>3.500.000</b>	<b>(239.752)</b>	<b>(232.807)</b>	<b>9.528</b>	<b>(858.134)</b>	<b>(366.997)</b>	<b>(70.390)</b>	<b>46.820</b>	<b>58.105</b>	<b>2.049.085</b>	<b>129.106</b>	<b>1.303.045</b>	<b>5.327.609</b>	<b>-</b>	<b>5.327.609</b>
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	1.184.990	1.184.990	(22.755)	1.162.235
Other comprehensive income	-	-	-	-	-	(20.284)	(2.756)	(58.882)	(3.700)	-	-	(85.622)	(85.622)	(37)	(85.659)
Total comprehensive income	-	-	-	-	-	(20.284)	(2.756)	(58.882)	(3.700)	-	-	1.184.990	1.099.368	(22.792)	1.076.576
Transfer to legal reserves	-	-	-	-	-	-	-	-	-	73.713	317.201	(390.914)	-	-	-
Non-controlling interest before reclassification to minority put option liability	-	-	-	-	-	-	-	-	-	-	-	-	-	251.138	251.138
Non-controlling interest put option liability (Note 13)	-	-	(48.646)	-	-	-	-	-	-	-	-	-	(48.646)	(228.346)	(276.992)
Dividend paid (Note 16)	-	-	-	-	-	-	-	-	-	-	-	(912.131)	(912.131)	-	(912.131)
<b>Balance at 30 June 2014</b>	<b>3.500.000</b>	<b>(239.752)</b>	<b>(281.453)</b>	<b>9.528</b>	<b>(858.134)</b>	<b>(387.281)</b>	<b>(73.146)</b>	<b>(12.062)</b>	<b>54.405</b>	<b>2.122.798</b>	<b>446.307</b>	<b>1.184.990</b>	<b>5.466.200</b>	<b>-</b>	<b>5.466.200</b>
<b>Balance at 1 January 2015</b>	<b>3.500.000</b>	<b>(239.752)</b>	<b>(227.065)</b>	<b>9.528</b>	<b>(858.134)</b>	<b>(382.368)</b>	<b>(63.603)</b>	<b>(60.513)</b>	<b>48.703</b>	<b>2.122.798</b>	<b>446.307</b>	<b>2.007.439</b>	<b>6.303.340</b>	<b>-</b>	<b>6.303.340</b>
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	361.932	361.932	(33.616)	328.316
Other comprehensive income	-	-	-	-	-	783	(9.229)	(10.682)	(7.826)	-	-	(26.954)	(26.954)	(47)	(27.001)
Total comprehensive income	-	-	-	-	-	783	(9.229)	(10.682)	(7.826)	-	-	361.932	334.978	(33.663)	301.315
Transfer to legal reserves	-	-	-	-	-	-	-	-	-	166.586	-	(166.586)	-	-	-
Non-controlling interest before reclassification to non-controlling interest put option liability	-	-	-	-	-	-	-	-	-	-	-	-	-	212.599	212.599
Non-controlling interest put option liability (Note 13)	-	-	(219.495)	-	-	-	-	-	-	-	-	-	(219.495)	(178.936)	(398.431)
Dividend paid (Note 16)	-	-	-	-	-	-	-	-	-	-	-	(1.840.853)	(1.840.853)	-	(1.840.853)
<b>Balance at 30 June 2015</b>	<b>3.500.000</b>	<b>(239.752)</b>	<b>(446.560)</b>	<b>9.528</b>	<b>(858.134)</b>	<b>(381.585)</b>	<b>(72.832)</b>	<b>(71.195)</b>	<b>40.877</b>	<b>2.289.384</b>	<b>446.307</b>	<b>361.932</b>	<b>4.577.970</b>	<b>-</b>	<b>4.577.970</b>

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

## TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED

30 JUNE 2015

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

		Current Period	Prior Period
		Reviewed	Reviewed
	Notes	1 January 2015 - 30 June 2015	1 January 2014 - 30 June 2014
<b>Net Profit</b>		328.316	1.162.235
<b>Adjustments to reconcile net profit to cash provided by operating activities:</b>			
Depreciation and amortisation expenses		1.050.853	946.239
Impairment		5.550	-
Tax expense		188.240	344.544
Gain on sale of property, plant and equipment		(23.142)	(149.781)
IFRIC 12 construction (revenue) / cost, net		(11.684)	(5.538)
Interest income and (expense), net		2.275	70.975
Unrealised foreign currency exchange differences		1.186.123	(86.268)
Reversal of doubtful receivables		(116.456)	(83.974)
Allowance for doubtful receivables		208.647	164.225
Provision for employee termination benefits		48.737	53.601
Provision for employee benefits, net		68.303	165.131
Change in litigation provision, net		85.212	48.280
Change in unused vacation provision		15.366	9.991
Loss on derivative financial instruments, net		91.407	3.074
Gain on derivative financial instruments, net		(226.190)	(65.036)
Obsolete inventory provision / (reversal), net		107	2.975
Other provisions		3.779	275
<b>Operating profit before working capital changes</b>		<b>2.905.443</b>	<b>2.580.948</b>
<b>Net working capital changes in:</b>			
Increases in trade receivables		(256.202)	(245.312)
Increases in other current assets		(289.494)	(30.691)
Decrease/(increase) in inventories		(18.671)	(42.110)
Increases in trade payables		(62.618)	(552.674)
Decrease/(increase) in other non-current assets		(25.501)	(747)
Increases in other current liabilities and provisions		(155.977)	(143.040)
Increases in other non-current liabilities		14.633	(10.388)
Decrease/(increase) in restricted cash		(48.835)	41.677
<b>Cash flow from operating activities</b>			
Payments of employee termination benefits	11	(9.670)	(10.000)
Payments of provisions		(151.558)	(35.588)
Payments of tax		(242.909)	(228.809)
Interest received		67.568	70.584
<b>Net cash provided by operating activities</b>		<b>1.726.209</b>	<b>1.393.850</b>
<b>Investing activities</b>			
Proceeds from sale of property, plant, equipment and intangible assets		41.865	182.013
Purchases of property, plant, equipment and intangible assets		(742.607)	(577.562)
<b>Net cash used in investing activities</b>		<b>(700.742)</b>	<b>(395.549)</b>
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowings		720.277	2.275.584
Repayment of bank borrowings		(403.964)	(3.604.000)
Bills, bonds and notes issued		-	2.130.293
Repayment of obligations under finance leases		(4.917)	(4.678)
Interest paid		(144.446)	(127.187)
Derivative instrument payments		3.179	29.208
Dividends paid		(1.840.853)	(912.131)
Interest received		108.195	49.166
<b>Net cash used in financing activities</b>		<b>(1.562.529)</b>	<b>(163.745)</b>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(537.062)	834.556
FOREIGN EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		(59.510)	(1.426)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		2.270.791	697.377
<b>Cash and cash equivalents at the end of the period</b>	<b>6</b>	<b>1.674.219</b>	<b>1.530.507</b>

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



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**TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015**

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

**1. REPORTING ENTITY**

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

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

Out of TL 3.500.000 nominal amount of capital, 15% of the Company’s shares owned by the Treasury corresponding to a nominal amount of TL 525.000 have been issued to the public through an initial public offering with the permission of Directorate of Istanbul Stock Exchange on 15 May 2008. Since then Company shares are traded in Borsa Istanbul 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 30 June 2015 and 31 December 2014, the ultimate parent and controlling party of the Company is Saudi Oger Ltd (“Saudi Oger”), because of its controlling ownership in Oger Telecom.

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

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**1. REPORTING ENTITY (CONTINUED)**

**4G License**

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

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**1. REPORTING ENTITY (CONTINUED)**

The details of the Company’s subsidiaries as at 30 June 2015 and 31 December 2014 are as follows:

Name of Subsidiary	Place of incorporation and operation	Principal activity	Functional Currency	Effective ownership of the Company (%)	
				30 June 2015	31 December 2014
TTNet Anonim Şirketi (“TTNet”)	Turkey	Internet service provider	Turkish Lira	100	100
Avea İletişim Hizmetleri A.Ş.(“Avea”)	Turkey	GSM operator	Turkish Lira	89,99	89,99
Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret Anonim Şirketi(“Argela”)	Turkey	Telecommunication solutions	Turkish Lira	100	100
Innova Bilişim Çözümleri Anonim Şirketi (“Innova”)	Turkey	Telecommunication solutions	Turkish Lira	100	100
Assist Rehberlik ve Müşteri Hizmetleri Anonim Şirketi (“AssisTT”)	Turkey	Call center 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	Telecommunications solutions	U.S. Dollar	100	100
Sebit LLC	USA	Web based learning	U.S. Dollar	100	100
TT International Holding B.V.(“TT International”)					
(*)	Netherlands	Holding company	Euro	100	100
TT Global Services B.V. (“TT Global”) (*)	Netherlands	Service company	Euro	100	100
Türk Telekom International AG (“TTINT Austria”)(*)	Austria	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International Hu Kft (TTINT Hungary)(*)	Hungary	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
S.C. Euroweb Romania S.A.(“TTINT Romania”) (*)	Romania	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International Bulgaria EODD (“TTINT Bulgaria”)(*)	Bulgaria	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International CZ s.r.o (“TTINT Czech Republic”)(*)	Czech Republic	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
TTINT Telcomd.o.o Beograd (“TTINT Serbia”) (*)	Serbia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
TTINT Telekomunikacijed.o.o (“TTINT Slovenia”)(*)	Slovenia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International SK s.r.o (“TTINT Slovakia”)(*)	Slovakia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
MTCTR Memorex Telekomunikasyon Sanayi ve Ticaret Limited Şirketi (“TTINT Turkey”)(*)	Turkey	Internet/data services, infrastructure and wholesale voice services provider	Turkish Lira	100	100
Türk Telekom International UA TOV (“TTINT Ukraine”)(*)	Ukraine	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International Italy S.R.L. (TTINT Italy) (*)	Italy	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
TTINT International DOOEL Skopje(“TTINT Macedonia”)(*)	Macedonia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International LLC (“TTINT Russia”)(*)	Russia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekomunikasyon Euro Gmbh. (“TT Euro”)(*)	Germany	Mobil service marketing	Euro	100	100
Türk Telekom International d.o.o.(*)	Croatia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekom International HK Limited (*)	Hong Kong	Internet/data services, infrastructure and wholesale voice services provider	H.K. Dollar	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
Fleksus Mobil Finans ve Dağıtım (“Fleksus”)	Turkey	Mobile finance	Turkish Lira	100	100
Net Ekran1 TV ve Medya Hiz. A.Ş. (“Net Ekran1”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran2 TV ve Medya Hiz. A.Ş. (“Net Ekran2”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran3 TV ve Medya Hiz. A.Ş. (“Net Ekran3”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran4 TV ve Medya Hiz. A.Ş. (“Net Ekran4”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran5 TV ve Medya Hiz. A.Ş. (“Net Ekran5”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran6 TV ve Medya Hiz. A.Ş. (“Net Ekran6”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran7 TV ve Medya Hiz. A.Ş. (“Net Ekran7”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran8 TV ve Medya Hiz. A.Ş. (“Net Ekran8”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
Net Ekran9 TV ve Medya Hiz. A.Ş. (“Net Ekran9”)	Turkey	Television and radio broadcasting	Turkish Lira	100	100
11818 Rehberlik ve Müşteri Hizmetleri A.Ş. (“11818”)	Turkey	Call center and customer relations	Turkish Lira	100	100

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

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**1. REPORTING ENTITY (CONTINUED)**

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

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

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

The average number of personnel subject to collective agreement as at 30 June 2015 is 11.956 (31 December 2014: 13.280) and the average number of personnel not subject to collective agreement as at 30 June 2015 is 21.375 (31 December 2014: 21.075). The number of personnel as at 30 June 2015 and 31 December 2014 are 33.389 and 34.389, respectively.

**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

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

**2.1 Summary of basis of presentation of the interim condensed of consolidated financial statements**

**a) Statement of compliance with TAS**

The accompanying consolidated financial statements are based in accordance with Turkish Accounting Standards (“TAS”) issued by Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) as set out in the Communiqué serial II, No: 14.1 announcement of Capital Markets Board (“CMB”) dated 13 June 2013 related to “Capital Market Communiqué on Principles Regarding Financial Reporting” (“Communiqué”) which is published in official gazette, no 28676. TAS is composed of Turkish Accounting Standards, Turkish Financial Reporting Standards, appendixes and interpretations.

For the six month period ended 30 June 2015, the Group prepared its interim condensed consolidated financial statements in accordance with the Turkish Accounting Standard No.34 “Interim Financial Reporting”. Interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Group’s annual financial statements, as at 31 December 2014.

**b) Preparation of financial statements**

The accompanying consolidated financial statements and notes are presented in accordance with the illustrative financial statements published by CMB on 7 June 2013.

The accompanying consolidated financial statements are approved by the Company’s Board of Directors on 22 July 2015. General Assembly and related legal institutions have the right to correct these financial statements and statutory financial statements.

**c) Correction of financial statements during the hyperinflationary periods**

CMB, with its resolution dated 17 March 2005, announced that all publicly traded entities operating in Turkey was not obliged to apply inflationary accounting effective from 1 January 2005. In accordance with this resolution, TAS 29 “Financial Reporting in Hyperinflationary Economies” is not applied to the consolidated financial statements since 1 January 2005.

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

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

**d) Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for the property, plant and equipment and investment property acquisitions prior to 1 January 2000 for which the deemed cost method was applied in accordance with TAS 29 “Financial Reporting in Hyperinflationary Economies”, derivative financial instruments and non-controlling interest put option liability which have been reflected at their fair values. Investment properties and tangible assets which are recognized with deemed cost method are valued with fair values as of 1 January 2000, non-controlling interest put option liabilities and derivative financial liabilities are valued with fair values as of balance sheet date.

**e) Functional and presentation currency**

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

Functional currencies of the subsidiaries are presented in Note 1.

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

**f) Significant accounting assessments, estimates and assumptions**

In order to prepare financial statements in accordance with TFRS, certain assumptions affecting notes to the financial statements and critical accounting estimations related to assets, liabilities, contingent assets and contingent liabilities are required to be used. Although these estimations are made upon the best afford of the management by interpreting the cyclical circumstances, actual results may differ from the forecasts. Issues that are complex and needs further interpretation, which might have a critical impact on financial statements. There is no change in judgments and critical accounting estimates (compared to used in prior year) used in interim condensed consolidated financial statements as 30 June 2015.

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

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

**Determination of fair values**

A number of the Group’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

**i) Trade and other receivables**

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

**ii) Derivatives**

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

**iii) Bills, bonds and notes issued**

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

**iv) Other non-derivative financial liabilities**

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

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

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

**Classifications applied to financial statements as of 30 June 2014**

The reclassifications at the Group’s consolidated financial statements as at 30 June 2014 are follows:

Cash and cash equivalents related to advances received from the Turkish Armed Forces for Turkish Armed Forces Integrated Communication Systems (“TAFICS”) projects amounting to TL 42.875 is reclassified to other current assets from restricted cash so as to be compared with the financial statements as 30 June 2015.

**2.3 Summary of significant accounting policies**

**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 2018. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

***TAS 16 and TAS 38 – Clarification of acceptable methods of depreciation and amortization***

The amendments to TAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to TAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendments are effective for annual periods beginning on after 1 January 2016, and are to be applied prospectively. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

***TFRS 11 – Accounting for acquisition of interests in joint operations***

The amendments clarify whether TFRS 3 Business Combinations applies when an entity acquires an interest in a joint operation that meets that standard’s definition of a business. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.3 Summary of significant accounting policies (continued)**

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

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

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

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

**IFRS 9 Financial Instruments (2014)**

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from TAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

**IFRS 14 Regulatory Deferral Accounts**

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



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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.3 Summary of significant accounting policies (continued)**

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

**IFRS 15 Revenue from Contracts with customers**

The standard is the result of a joint project and IASB and FASB which replaces existing IFRS and US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted under IFRS. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

**Sale or contribution of assets between an investor and its associate or joint venture (Amendments to TFRS 10 and TAS 28)**

The amendments address the conflict between the existing guidance on consolidation and equity accounting. The amendments require the full gain to be recognized when the assets transferred meet the definition of a “business” under TFRS 3 *Business Combinations*. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

**Equity method in separate financial statements (Amendments to TAS 27)**

The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

**Disclosure initiative (Amendments to TAS 1)**

The narrow-focus amendments to TAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing TAS 1 requirements. In most cases the amendments respond to overly prescriptive interpretations of the wording in TAS 1. The amendments relate to the following: materiality, order of the notes, subtotals, accounting policies and disaggregation. The amendments apply for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.3 Summary of significant accounting policies (continued)**

**Investment Entities: Applying the Consolidation Exception (Amendments to TFRS 10, TFRS 12 and TAS 28)**

Before the amendment, it was unclear how to account for an investment entity subsidiary that provides investment-related services. As a result of the amendment, intermediate investment entities are not permitted to be consolidated.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

***Annual Improvements to IFRSs – 2012–2014 Cycle***

***TFRS 5 Non-current Assets Held for Sale and Discontinued Operations***

The amendments clarify the requirements of TFRS 5 when an entity changes the method of disposal of an asset (or disposal group) and no longer meets the criteria to be classified as held-for-distribution.

***TFRS 7 Financial Instruments: Disclosures***

TFRS 7 is amended to clarify when servicing arrangement are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to TFRS 7)*.

***TAS 19 Employee Benefits***

TAS 19 has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

***TAS 34 Interim Financial Reporting***

TAS 34 has been amended to clarify that certain disclosure, if they are not included in the notes to interim financial statements, may be disclosed “elsewhere in the interim financial report” – i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report).

**3. SEASONAL CHANGES IN THE OPERATIONS**

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

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**4. EARNINGS PER SHARE**

	<b>1 January - 30 June 2015</b>	<b>1 April - 30 June 2015</b>	<b>1 January - 30 June 2014</b>	<b>1 April - 30 June 2014</b>
Weighted average number of ordinary shares outstanding during the year	350.000.000.000	350.000.000.000	350.000.000.000	350.000.000.000
Net profit for the year attributable to equity holders of the Company	361.932	335.216	1.184.990	800.999
Basic and earnings per share ( in full kuruş)	0,1034	0,0958	0,3386	0,2289

**5. SEGMENT REPORTING**

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

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**5. SEGMENT REPORTING (CONTINUED)**

	Fixed Line		Mobile		Intra-group eliminations		Consolidated	
	1 January - 30 June 2015	1 January - 30 June 2014	1 January - 30 June 2015	1 January - 30 June 2014	1 January - 30 June 2015	1 January - 30 June 2014	1 January - 30 June 2015	1 January - 30 June 2014
<b>Revenue</b>								
GSM	–	–	2.385.842	2.012.975	–	–	2.385.842	2.012.975
ADSL	1.902.556	1.794.056	–	–	–	–	1.902.556	1.794.056
Domestic PSTN	1.386.379	1.538.409	–	–	–	–	1.386.379	1.538.409
Data service and leased line revenue	670.190	571.756	–	–	–	–	670.190	571.756
International revenue	247.654	254.877	–	–	–	–	247.654	254.877
Domestic interconnection revenue	162.228	183.463	–	–	–	–	162.228	183.463
IFRIC12 revenue	101.557	48.142	–	–	–	–	101.557	48.142
Rental income from GSM operators	55.110	41.104	–	–	–	–	55.110	41.104
Other	283.177	270.526	–	–	–	–	283.177	270.526
Eliminations	–	–	–	–	(234.812)	(220.978)	(234.812)	(220.978)
<b>Total revenue</b>	<b>4.808.851</b>	<b>4.702.333</b>	<b>2.385.842</b>	<b>2.012.975</b>	<b>(234.812)</b>	<b>(220.978)</b>	<b>6.959.881</b>	<b>6.494.330</b>
Cost of sales and operating expenses (excluding depreciation and amortization)	(2.554.370)	(2.656.671)	(1.957.313)	(1.755.993)	228.060	218.522	(4.283.623)	(4.194.142)
Other income/(expense) and income/(expense) from investing activities	(14.298)	163.755	(19.587)	6.677	(8.160)	(637)	(42.045)	169.795
Depreciation and amortization	(610.648)	(556.595)	(440.998)	(388.687)	792	(957)	(1.050.854)	(946.239)
Impairment on tangible and intangible assets	–	–	(5.550)	–	–	–	(5.550)	–
EBITDA	2.228.515	2.197.748	428.686	257.894	(7.873)	(3.088)	2.649.328	2.452.554
Doubtful receivable provision expense	(37.015)	(38.922)	(55.176)	(41.329)	–	–	(92.191)	(80.251)
Capital expenditure (*)	433.389	358.176	349.977	216.358	(3.094)	2.289	780.272	576.823
Contribution to the consolidated revenue (**)	4.605.751	4.529.097	2.354.130	1.965.233	–	–	6.959.881	6.494.330
Contribution to the consolidated EBITDA (***)	2.058.398	2.081.908	590.930	370.646	–	–	2.649.328	2.452.554

(\*) Capital expenditures do not include TL 11.684 (1 April 2015 -30 June 2015 :TL 7.142, 30 June 2014: TL 5.538, 1 April -30 June 2014 : TL 4.441 ) amounted profit margin which is capitalized on intangible assets that are accounted within the scope of TFRS Interpretation 12.

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

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

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**5. SEGMENT REPORTING (CONTINUED)**

	Fixed line		Mobile		Intra-group eliminations		Consolidated	
	1 April - 30 June 2015	1 April - 30 June 2014	1 April - 30 June 2015	1 April - 30 June 2014	1 April - 30 June 2015	1 April - 30 June 2014	1 April - 30 June 2015	1 April - 30 June 2014
<b>Revenue</b>								
GSM	–	–	1.219.401	1.055.892	–	–	1.219.401	1.055.892
ADSL	950.094	896.579	–	–	–	–	950.094	896.579
Domestic PSTN	684.548	762.812	–	–	–	–	684.548	762.812
Data service and leased line revenue	352.330	285.886	–	–	–	–	352.330	285.886
International revenue	124.205	121.682	–	–	–	–	124.205	121.682
Domestic interconnection revenue	84.133	96.053	–	–	–	–	84.133	96.053
IFRIC12 revenue	62.076	38.610	–	–	–	–	62.076	38.610
Rental income from GSM operators	33.545	21.400	–	–	–	–	33.545	21.400
Other	133.406	133.420	–	–	–	–	133.406	133.420
Eliminations	–	–	–	–	(118.077)	(112.711)	(118.077)	(112.711)
<b>Total Revenue</b>	<b>2.424.337</b>	<b>2.356.442</b>	<b>1.219.401</b>	<b>1.055.892</b>	<b>(118.077)</b>	<b>(112.711)</b>	<b>3.525.661</b>	<b>3.299.623</b>
Cost of sales and operating expenses (excluding depreciation and amortization)	(1.284.462)	(1.300.118)	(1.003.208)	(906.904)	113.016	110.990	(2.174.654)	(2.096.032)
Other income/(expense) and income/(expense) from investing activities	(11.898)	51.803	1.571	5.536	(7.868)	199	(18.195)	57.538
Depreciation and amortization	(307.778)	(274.392)	(222.432)	(195.685)	413	497	(529.797)	(469.580)
Impairment on FA & IFA	–	–	(2.551)	–	–	–	(2.551)	–
EBITDA	1.109.499	1.104.985	216.688	149.244	(6.241)	(1.522)	1.319.946	1.252.706
Doubtful receivable provision expense	(8.203)	(26.977)	(30.404)	(23.701)	–	–	(38.607)	(50.678)
Capital expenditure (*)	278.085	206.167	191.961	91.994	3.880	(494)	473.926	297.668
Contribution to the consolidated revenue (**)	2.323.084	2.266.890	1.202.577	1.032.733	–	–	3.525.661	3.299.623
Contribution to the consolidated EBITDA (***)	1.014.319	1.044.092	305.627	208.614	–	1	1.319.946	1.252.706

(\*) Capital expenditures do not include TL 11.684 (1 April 2015 -30 June 2015 :TL 7.142, 30 June 2014: TL 5.538, 1 April -30 June 2014 : TL 4.441 ) amounted profit margin which is capitalized on intangible assets that are accounted within the scope of TFRS Interpretation 12.

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

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

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**5. SEGMENT REPORTING (CONTINUED)**

	<b>1 January - 30 June 2015</b>	<b>1 April - 30 June 2015</b>	<b>1 January - 30 June 2014</b>	<b>1 April - 30 June 2014</b>
Fixed line segment EBITDA	2.228.515	1.109.499	2.197.748	1.104.985
Mobile segment EBITDA	428.686	216.688	257.894	149.244
Inter-segment eliminations	(7.873)	(6.241)	(3.088)	(1.522)
<b>Consolidated EBITDA</b>	<b>2.649.328</b>	<b>1.319.946</b>	<b>2.452.554</b>	<b>1.252.707</b>
Foreign exchange gains, interest income, discount income on current accounts presented in other operating income	137.531	80.425	112.771	60.852
Foreign exchange losses, interest expense, discount expense on current accounts presented in other operating expense (-)	(152.646)	(67.569)	(95.342)	(52.429)
Financial income	922.095	434.582	1.035.208	598.455
Financial expenses (-)	(1.983.348)	(786.366)	(1.052.173)	(360.882)
Depreciation, amortisation and impairment	(1.056.404)	(532.348)	(946.239)	(469.579)
<b>Consolidated profit before tax</b>	<b>516.556</b>	<b>448.670</b>	<b>1.506.779</b>	<b>1.029.124</b>

<b>30 June 2015</b>	<b>Fixed Line</b>	<b>Mobile</b>	<b>Eliminations</b>	<b>Other unallocated amounts (*)</b>	<b>Consolidated</b>
Total segment assets	15.919.453	5.759.415	(1.876.079)	–	<b>19.802.789</b>
Total segment liabilities	(12.528.528)	(3.946.203)	1.875.408	(625.496)	<b>(15.224.819)</b>
<b>31 December 2014</b>	<b>Fixed Line</b>	<b>Mobile</b>	<b>Eliminations</b>	<b>Other unallocated amounts (*)</b>	<b>Consolidated</b>
Total segment assets	16.031.406	5.511.679	(1.665.298)	–	<b>19.877.787</b>
Total segment liabilities	(11.449.888)	(3.356.732)	1.671.839	(439.666)	<b>(13.574.447)</b>

(\*) Includes non-controlling interest put option liability amounting to TL 625.496 (31 December 2014: TL 439.664).

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**6. CASH AND CASH EQUIVALENTS**

	<b>30 June 2015</b>	<b>31 December 2014</b>
Cash on hand	527	447
Cash at banks– demand deposit	413.084	358.367
Cash at banks– time deposit	1.574.850	2.176.019
Other	2.245	3.613
	<b>1.990.706</b>	<b>2.538.446</b>

As of 30 June 2015, time deposits are all short-term, maturing within one month and denominated in both foreign currencies and TL. The interest rates are between 5,00% - 12,62% for TL deposits, between 0,10% - 2,15% for US Dollar deposits and between 0,15%- 2,01% for Euro deposits. (31 December 2014 – for TL deposits between 6,00% and 11,90%, for US Dollar deposits between 0,15% and 2,50%, for Euro deposits between 0,10% and 2,15%).

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

	<b>30 June 2015</b>	<b>30 June 2014</b>
Cash and cash equivalents	1.990.706	1.796.220
Less: restricted amounts		
- Collection protocols	(311.229)	(261.834)
- ATM collection	(3.753)	(3.457)
- Other	(1.505)	(422)
<b>Unrestricted cash</b>	<b>1.674.219</b>	<b>1.530.507</b>

As of 30 June 2015, demand deposits amounting to TL 311.229 (30 June 2014 - 261.834 TL ) is restricted due to collection protocols signed with banks for receipts from the subscribers, under which proceeds are made available to the Group a certain number of days after the cash is collected. An additional amount of TL 3.753 arising from collections through automated teller machine (“ATM”) is not available for use at 30 June 2015 (30 June 2014 - 3.457 TL).

As of 30 June 2015, the Group has bank loans amounting to USD 222.348 which have been committed banks and not utilized yet, having maturity date 31 March 2016 and 2 October 2017 (31 December 2014: US Dollar 45.893).

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**7. FINANCIAL LIABILITIES**

*Bank borrowings*

	30 June 2015			31 December 2014		
	Weighted average nominal interest rate (%)	Original amount	TL equivalent	Weighted average nominal interest rate (%)	Original amount	TL equivalent
<b>Short-term borrowings:</b>						
TL bank borrowings with fixed interest rates	11,81	325.096	325.096	11,85	28.503	28.503
<b>Interest accruals:</b>						
TL bank borrowings with fixed interest rates		3.541	3.541		911	911
<b>Short-term borrowings</b>			<b>328.637</b>			<b>29.414</b>
<b>Short-term portion of long-term bank borrowings:</b>						
USD bank borrowings with fixed interest rates	3,05	47.497	127.591	3,04	46.731	108.365
USD bank borrowings with variable interest rates	2,88	169.883	456.357	2,95	151.006	350.168
EUR bank borrowings with variable interest rates	1,67	93.097	277.634	1,89	72.952	205.773
<b>Interest accruals of long-term bank borrowings:</b>						
USD bank borrowings with fixed interest rates		848	2.276		830	1.925
USD bank borrowings with variable interest rates (*)		8.633	23.191		8.652	20.063
EUR bank borrowings with variable interest rates (**)		1.515	4.518		1.723	4.860
<b>Short-term portion of long-term bank borrowings</b>			<b>891.567</b>			<b>691.154</b>
<b>Total short-term borrowings</b>			<b>1.220.204</b>			<b>720.568</b>
<b>Long-term borrowings:</b>						
TL bank borrowings with fixed interest rates	-	-	-	11,84	24.003	24.003
USD bank borrowings with fixed interest rates	3,05	136.711	367.247	3,04	160.751	372.765
USD bank borrowings with variable interest rates (*)	2,88	1.631.469	4.382.615	2,95	1.566.958	3.610.430
EUR bank borrowings with variable interest rates (**)	1,67	593.235	1.769.145	1,89	648.916	1.830.401
<b>Total long-term borrowings</b>			<b>6.519.007</b>			<b>5.837.599</b>
<b>Total financial liabilities</b>			<b>7.739.211</b>			<b>6.558.167</b>

(\*) As at 30 June 2015, interest rate varies between Libor + 0,535% and 3,40% (31 December 2014: Libor + 0,80% ve 3,40%)

(\*\*) As at 30 June 2015, interest rate varies between Euribor + 0,25% and 3,00% (31 December 2014: Euribor + 0,25% ve 3,00%)

As of 30 June 2015, 400.000 USD amounted guarantee is given by Türk Telekom for financial liabilities of Avea which are amounted to 230.000 USD and 133.125 EUR.



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**7. FINANCIAL LIABILITIES (CONTINUED)**

***Bank borrowings(continued)***

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

	<b>30 June 2015</b>				<b>31 December 2014</b>					
	<b>Up to 3 moths</b>	<b>3 months to 1 year</b>	<b>1 year to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>	<b>Up to 3 moths</b>	<b>3 months to 1 year</b>	<b>1 year to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
TL bank borrowings with fixed interest rates	151.075	177.562	–	–	328.637	–	29.414	24.003	–	53.417
USD bank borrowings with fixed interest rates	7.394	122.473	367.247	–	497.114	6.265	104.025	361.818	10.947	483.055
USD bank borrowings with variable interest rates	120.939	358.609	3.303.168	1.079.447	4.862.163	110.080	260.151	2.622.615	987.815	3.980.661
Euro bank borrowings with variable interest rates	8.307	273.845	1.488.949	280.196	2.051.297	7.867	202.766	1.403.911	426.490	2.041.034
	<b>287.715</b>	<b>932.489</b>	<b>5.159.364</b>	<b>1.359.643</b>	<b>7.739.211</b>	<b>124.212</b>	<b>596.356</b>	<b>4.412.347</b>	<b>1.425.252</b>	<b>6.558.167</b>

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**7. FINANCIAL LIABILITIES (CONTINUED)**

*Bill, bonds and notes issued*

	30 June 2015			31 December 2014		
	Weighted average nominal interest rate (%)	Original amount	TL equivalent	Weighted average nominal interest rate (%)	Original amount	TL equivalent
<b>Bill, bonds and notes issued:</b>						
USD bank borrowings with fixed interest rates	4,54	2.591	6.959	4,54	2.132	4.943
<b>Short-term bills, bonds and notes issued</b>		<b>2.591</b>	<b>6.959</b>		<b>2.132</b>	<b>4.943</b>
<b>Long-term bills, bonds and notes issued:</b>						
USD bank borrowings with fixed interest rates	4,54	989.578	2.658.303	4,54	989.578	2.294.732
<b>Long-term bills, bonds and notes issued</b>		<b>989.578</b>	<b>2.658.303</b>		<b>989.578</b>	<b>2.294.732</b>
<b>Total financial liabilities</b>		<b>992.169</b>	<b>2.665.262</b>		<b>991.710</b>	<b>2.299.675</b>

The sales process of USD 500.000 amounted bond issuances with 10 years of maturity, and 4,875% coupon rate based on 4,982% reoffer yield was completed on June 19th, 2014. The bonds are now quoted at Irish Stock Exchange.

The sales process of USD 500.000 amounted bond issuances with 5 years of maturity, and 3,75% coupon rate based on 3,836% reoffer yield was completed on June 19th, 2014. The bonds are now quoted at Irish Stock Exchange.

As of 30 June 2015, maturity period of accrued interests of the short term bonds amounting to TL 6.959 is between 0 to 6 months. Maturity periods of long term bond amounting to TL 1.326.150 is over 5 years and TL 1.332.153 is between 1-5 years.

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**8. DUE FROM AND DUE TO RELATED PARTIES**

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

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

Details of balances and transactions between the Group and other related parties as at 30 June 2015 and 31 December 2014 are disclosed below:

	<b>30 June 2015</b>	<b>31 December 2014</b>
<b>Due from related parties</b>		
<b>Parent company</b>		
Saudi Telecom Company ("STC") (2)	9.536	16.602
<b>Other related parties</b>		
Oger Telekom Yönetim Hizmetleri Limited Şirketi ("OTYH") (1)	4	37
Oger Systems Company Ltd. (1)	1.839	1.118
Other	35	–
	<b>11.414</b>	<b>17.757</b>
<b>Due to related parties</b>		
<b>Parent company</b>		
STC (2)	784	650
<b>Other related parties</b>		
OTYH (1)	6.936	7.154
Oger Telecom Ltd.	150	67
Oger Telecom South Africa (Proprietary) Limited (1)	17	17
	<b>7.887</b>	<b>7.888</b>

(1) a subsidiary of Oger Telecom

(2) shareholder of Oger Telecom

**Transactions with shareholders:**

Avea is required under the terms of the Avea Concession Agreement, to pay 15% share to the Treasury (the Treasury Share) of its monthly gross revenue. Besides, the Company and its 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 and Communications under the law Global Service Act numbered 5369.

As of 30 June 2015, 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.

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**8. DUE FROM AND DUE TO RELATED PARTIES (CONTINUED)**

*Guarantees provided to related parties:*

The guarantees given by the Company to support the long term financing of related parties are explained in Note 7.

*Transactions with other related parties:*

Postage services have been rendered by PTT to the Company.

Operational lease payment made to PTT by the Company as part of the lease agreement amounts to TL 23.097 in 30 June 2015 and there is no payment as of 1 April – 30 June 2015 (30 June 2014: TL 34.114, 1 April – 30 June 2014: TL 17.057). Operational lease agreement has been terminated on 11 April 2015 and the parties are negotiating on a new agreement as of report date.

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 10.814 and TL 374, respectively, as of 30 June 2015, (30 June 2014 – TL 16.807 revenues and TL 339 expenses).

*Compensation of key management personnel*

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

	<b>1 January - 30 June 2015</b>	<b>1 April - 30 June 2015</b>	<b>1 January - 30 June 2014</b>	<b>1 April - 30 June 2014</b>
<b>Short-term benefits</b>	<b>67.192</b>	<b>54.777</b>	<b>65.799</b>	<b>38.051</b>
Wage	17.620	9.820	15.684	6.295
Bonus and attendance fees	40.725	36.942	26.252	25.134
Post employment benefits to key management	8.847	8.015	23.863	6.622
<b>Long-term defined benefit plans</b>	<b>1.057</b>	<b>484</b>	<b>969</b>	<b>507</b>
Social Security Institution premiums (SSI)	1.057	484	969	507
	<b>68.249</b>	<b>55.261</b>	<b>66.768</b>	<b>38.558</b>

Furthermore, OTMSC charged to the Company a consultancy fee amounting to TL 15.883 (30 June 2014 – TL 12.940) and an expense fee for an amount of TL 43 (30 June 2014 – TL 126), for the month period ended 30 June 2015. OTASC’s ultimate shareholder is Saudi Oger. Based on the contract between OTMSC and the Company, significant portion of this payment represents salaries of key management personnel. The contract has been renewed on 15 April 2012 for an annual charge of USD 12.000 (prior contract value: USD 8.500) for three years and terminated on 15 April 2015. On 12 May 2015; a new protocol is signed. According to this, the contract is renewed for two years by same amount and will be terminated on 15 May 2017.

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**9. TRADE RECEIVABLES FROM AND PAYABLES TO THIRD PARTIES**

*Trade receivables*

	<b>30 June 2015</b>	<b>31 December 2014</b>
<b>Short-term</b>		
Trade receivables	4.555.033	4.308.489
Other trade receivables	113.998	92.683
Income accruals	439.396	446.502
Allowance for doubtful receivables (-)	(1.824.050)	(1.732.493)
<b>Total short-term trade receivables</b>	<b>3.284.377</b>	<b>3.115.181</b>
<b>Long-term</b>		
Trade receivables	33.973	40.113
<b>Total long-term trade receivables</b>	<b>33.973</b>	<b>40.113</b>

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

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

	<b>1 January 2015 - 30 June 2015</b>	<b>1 January 2014 - 30 June 2014</b>
At January 1	(1.732.493)	(1.532.987)
Provision for the year	(208.542)	(164.063)
Reversal of provision - collections	116.112	83.607
Write off of doubtful receivables	814	525
Change in currency translation differences	59	40
<b>At 30 June</b>	<b>(1.824.050)</b>	<b>(1.612.878)</b>

The Group waits up to 90 days before initiating legal action for overdue receivables. Based on its previous collection performance from overdue receivables, the Company expects to make significant collections from its overdue receivables. As of 30 June 2015 and 31 December 2014 the analysis of trade receivables that were past due but not impaired is as follows:

	<b>Total</b>	<b>Neither past due nor impaired</b>	<b>&lt; 30 days</b>	<b>30-60 days</b>	<b>60-90 days</b>	<b>90-120 days</b>	<b>120-360 days</b>	<b>&gt;360 days</b>
30 June 2015	<b>3.318.350</b>	2.233.349	306.536	144.977	73.747	75.909	184.978	298.854
31 December 2014	<b>3.155.294</b>	2.215.446	273.435	117.343	68.512	77.805	162.108	240.645

Receivables guaranteed of the Group are amounted to TL 31.126 (31 December 2014: TL 25.331).

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

*Trade payables*

	<b>30 June 2015</b>	<b>31 December 2014</b>
<b>Short-term</b>		
Trade payables	1.007.583	1.238.250
Expense accruals	489.006	293.695
Other trade payables	11.341	9.216
<b>Total short-term trade payables</b>	<b>1.507.930</b>	<b>1.541.161</b>
<b>Long-term</b>		
Trade payables	63	613
<b>Total long-term trade payables</b>	<b>63</b>	<b>613</b>

Trade payables amounting to TL 17 as at 30 June 2015 (31 December 2014: TL 598) represent payable to suppliers due to Turkish Armed Forces for Turkish Armed Forces Integrated Communication Systems (“TAFICS”) projects (Note 12).

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

As of 30 June 2015, long-term trade payables related with TTINT’s indefeasible right of use contract payables having a maturity of more than 1 year.

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

The amount of tangible and intangible assets purchased during the six month period ended 30 June 2015 is TL 780.272 (30 June 2014: TL 576.823).

Net book value of tangible and intangible assets sold during the six month period ended 30 June 2015 amounted to TL 18.723 (30 June 2014: TL 32.232).

As of 30 June 2015, based on the decision of Board of Directors to sell 102 different real estates, these assets were classified as held for sale (30 June 2015: TL 25.680, 31 December 2014: TL 26.367). The assets are measured at the lower of their carrying value and fair value less costs to sell.

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**11. PROVISIONS**

*Short-term provisions for employee benefits*

	<b>30 June 2015</b>	<b>31 December 2014</b>
<b>Short term provisions for employee benefits</b>		
Personnel bonus provision	91.388	160.050
	<b>91.388</b>	<b>160.050</b>

The movement of provisions is as follows:

	<b>1 January - 30 June 2015</b>	<b>1 January - 30 June 2014</b>
<b>As of January 1</b>	<b>160.050</b>	<b>829</b>
Provision for the period	81.125	186.279
Provisions paid	(137.266)	(99.430)
Reversals	(12.822)	(21.148)
Foreign currency translation difference	301	(63)
<b>As at 30 June</b>	<b>91.388</b>	<b>66.467</b>

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**11. PROVISIONS (continued)**

*Long term employee benefits excluding defined benefit obligation*

	<b>30 June 2015</b>	<b>31 December 2014</b>
<b>Long term provisions for employee benefits</b>		
Unused vacation provisions	82.484	68.907
	<b>82.484</b>	<b>68.907</b>

The movement of provisions is as follows:

	<b>1 January - 30 June 2015</b>	<b>1 January - 30 June 2014</b>
<b>As of January 1</b>	<b>68.907</b>	<b>64.378</b>
Provision for the period	39.933	32.605
Provisions paid	(1.872)	(1.903)
Reversals	(24.567)	(22.614)
Foreign currency translation difference	83	(52)
<b>As at 30 June</b>	<b>82.484</b>	<b>72.414</b>

*Other long-term provisions*

	<b>30 June 2015</b>	<b>31 December 2014</b>
Provision for the investments under the scope of IFRIC 12	7.652	7.593
	<b>7.652</b>	<b>7.593</b>



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**11. PROVISIONS (continued)**

*Defined benefit obligation*

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

The retirement pay liability as at 30 June 2015 is subject to a ceiling of full TL 3.541,37 (31 December 2014: full TL 3.438,22) per monthly salary for each service year.

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

	<b>1 January - 30 June 2015</b>	<b>1 January - 30 June 2014</b>
Defined benefit obligation at January 1	555.595	585.394
Service cost	24.522	27.049
Interest cost	24.215	26.552
Actuarial loss (*)	(1.041)	25.307
Benefits paid	(9.670)	(10.000)
Foreign currency translation difference	88	(103)
<b>As at 30 June</b>	<b>593.709</b>	<b>654.199</b>

(\*) As at 30 June 2015, actuarial loss amounting to TL 1.041 (30 June 2014: TL 25.307) is recognized in other comprehensive income.

Total expense recognized in the consolidated income statement:

	<b>1 January - 30 June 2015</b>	<b>1 January - 30 June 2014</b>
Service cost	24.522	27.049
Interest cost	24.215	26.552
<b>Total net cost recognized in the consolidated statement of income</b>	<b>48.737</b>	<b>53.601</b>

Principal actuarial assumptions used:

	<b>30 June 2015</b>	<b>31 December 2014</b>
Discount rate	9,5%	9,3%
Expected rate of ceiling increases	5,5%	5,5%

For the years ahead, voluntary employee withdrawal of the Group changes from 0,55% and 5,82% depending on age (31 December 2014: 0,62% and 18,25% ).

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**12. OTHER ASSETS, OTHER LIABILITIES AND EMPLOYEE BENEFIT OBLIGATIONS**

*Other current assets*

	<b>30 June 2015</b>	<b>31 December 2014</b>
Intermediary services for collection (*)	124.657	95.180
TAFICS projects	44.510	44.793
Value Added Tax ("VAT") and Special Communication Tax ("SCT")	18.347	27.477
Advances given (**)	23.891	18.144
Other current assets	1.615	2.070
	<b>213.020</b>	<b>187.664</b>

(\*) Intermediary services for collections consist of advances given by Avea to its distributors.

(\*\*) Advances given mainly consists of advances given to suppliers.

*Other non-current assets*

	<b>30 June 2015</b>	<b>31 December 2014</b>
Intermediary services for collection	27.147	21.037
Other non-current assets	9	3
	<b>27.156</b>	<b>21.040</b>

*Other current liabilities*

	<b>30 June 2015</b>	<b>31 December 2014</b>
Advances received	43.016	42.731
Other liabilities	9.379	7.355
	<b>52.395</b>	<b>50.086</b>

The Company acts as an intermediary of TAFICS projects by transferring advances received to the contractors and supports the management of the projects. Expenditures arising from the projects are deducted from the advances received at the date of the expenditure. Advances not used are held as time deposits and the interest earned is credited to the advances received in accordance with the agreement between the parties

*Employee benefit obligations*

	<b>30 June 2015</b>	<b>31 December 2014</b>
Social security premiums payable	44.656	41.567
Payables to personnel	24.537	196.783
Employee's income tax payables	34.817	37.417
	<b>104.010</b>	<b>275.767</b>

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**13. NON-CONTROLLING INTEREST PUT OPTION LIABILITY**

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

- a) If an IPO for Avea does not take place before 1 January 2011, then starting from 1 January 2011 until 31 December 2014 (“First Period”) İş Bank Group at any time during the First Period shall have the right to demand that the Company initiate and execute an IPO to be concluded within nine months starting from the date of the demand. However, the Company may decide, within thirty days following the date of the demand for IPO, to postpone the IPO until the end of the First Period.
- b) If an IPO does not take place by the end of the “First Period” then starting from 1 January 2015 until 31 December 2015, İş Bank Group shall have the right to demand that the Company initiate and execute an IPO within 9 months starting from the first demand.
- c) Within one month following the execution of an IPO, via any of the methods described in sections a and b above, İş Bank Group shall have the right to sell to the Company all of their outstanding shares in Avea at a price equal to the IPO price less a five percent discount. The put option shall solely be exercised following an IPO.

The Company, has signed Share Transfer Agreement with İş Bankası A.Ş., Türkiye Şişe and Cam Fabrikaları A.Ş., Trakya Yatırım Holding A.Ş., Anadolu Hayat Emeklilik A.Ş., Efes Holding A.Ş. and Anadolu Anonim Türk Sigorta Şirketi in order to buy amounting to TL 875.000 representative share of 10,0035% of Avea’s issued capital on 29 April 2015. Shares will be transferred upon completion of legal procedures and required confirmations. Upon the transfer of the shares, above mentioned put option liability will be terminated. Until the transfer of shares, the Company will continue to reflect non-controlling interest put option liability in its balance sheet. As of 30 June 2015, the fair value of non-controlling interests put option liability is calculated as TL 625.496 (31 December 2014: TL 439.664).

In order to reflect the non-controlling interest put option liability in the consolidated financial statements, the non-controlling interest (after giving the effect of loss) as at 30 June 2015, amounting to negative TL 178.936 (31 December 2014: 212.599 TL ), is reclassified from equity to non-controlling interest put option liability under short-term liabilities after appropriation of profit / loss to the non-controlling interest for the year. The fair value of non-controlling interest put option liability, has been determined as TL 625.496 (31 December 2014 : TL 439.664), and the difference of TL 446.560 (31 December 2014: TL 227.065) is reflected in equity as “non-controlling interest put option liability reserve”, based on the Group’s accounting policy for the acquisition of non-controlling interest.

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**14. COMMITMENTS AND CONTINGENCIES**

Guarantees received and given by the Group are summarized below:

		<b>30 June 2015</b>		<b>31 December 2014</b>	
		<b>Original currency</b>	<b>TL</b>	<b>Original currency</b>	<b>TL</b>
Guarantees received	<b>USD</b>	192.669	517.567	198.592	460.515
	<b>TL</b>	830.456	830.456	791.582	791.582
	<b>Euro</b>	62.755	187.149	7.130	20.111
		<b>1.535.172</b>		<b>1.272.208</b>	
Guarantees given (*)	<b>USD</b>	161.290	433.272	158.138	366.707
	<b>TL</b>	179.448	179.448	152.767	152.767
	<b>Euro</b>	182.262	543.543	182.217	513.980
	<b>AED</b>	–	–	100	61
	<b>Other</b>	3	2	20	13
		<b>1.156.265</b>		<b>1.033.528</b>	

(\*) Guarantees given amounting to US Dollar 151.500 (31 December 2014: US Dollar 151.500) is related to the guarantee provided to the ICTA by Avea with respect to the Avea Concession Agreement and guarantees given amounting to Euro 12.840 (31 December 2014: Euro 12.840) is related with the guarantee provided for 3G license.

The Company’s guarantee, pledge and mortgage (GPM) position as at 30 June 2015 and 31 December 2014 is as follows:

	<b>30 June 2015</b>	<b>31 December 2014</b>
A. GPMs given on behalf of the Company’s legal personality	1.156.265	1.033.528
B. GPMs given in favor of subsidiaries included in full consolidation	1.015.360	909.929
C. GPMS given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	1.242.044	838.067
D. Other GPMs	1.060	–
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	1.060	–
iii. GPMs given in favor of third party companies not in the scope of C above	–	–
<b>Total</b>	<b>3.414.729</b>	<b>2.781.524</b>

Other GPMs given by the Group as 30 June 2015 are equivalent to 0,02% of the Company’s equity (31 December 2014 : None).

Based on law 128/1 of Turkish Code of Obligations, Avea has given guarantee to distributors amounting to TL 1.242.044 for the financial obligation that would arise during the purchase of devices that will be sold as commitment sales by Avea (31 December 2014: TL 838.067).

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**14. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

*Other commitments*

The Group has purchase commitments for sponsorships and advertising services at the amounting to US Dollar 34.544, Euro 2.713 and TL 366.871, equivalent to TL 467.757 (31 December 2014: TL 91.234) as at 30 June 2015. Payments for these commitments are going to be made in a 6-year period.

The Group has purchase commitments for fixed assets amounting to US Dollar 70.522, Euro 4.708, GBP 6.136 and TL 373.414, equivalent to TL 602.731 (31 December 2014: TL 437.467) as at 30 June 2015.

*Legal proceedings of Türk Telekom*

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

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

The Company and Turkcell have disputes over international interconnection and leased line rates charged by the Company. Based on the assessments of the Company management and its legal counsel, as of and for the three months interim period ended 30 June 2015. Total provision in relation to these litigations amounted to TL 94.645, including for principal and interest, as of 30 June 2015 (31 December 2014: TL 91.884).

*Disputes between the Company and its former personnel*

Within the scope of the ongoing restructuring of the personnel organization of the Company in order to achieve the number of personnel identified, the contracts of the employees who are entitled for retirement and whose service are not needed have been terminated based on the Board of Directors Decision. Accordingly, certain number of those employees has filed re-employment lawsuits against the Company. Some of the lawsuits terminated against the Company while the remaining cases are still ongoing. Provision amounting to TL 13.625 (31 December 2014: TL 11.035) is provided as of 30 June 2015 for the ongoing cases.

*Disputes between the Company and Municipalities*

For contribution to the infrastructure investment and municipality share, Municipalities filed against the Company and as at 30 June 2015, total provision including the nominal amount and legal interest charge which is amounting to TL 46.206 (31 December 2014: TL 45.301) is recognized.

*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 30 June 2015 TL 68.619 provision provided for ICTA penalties and amounts to be repaid to customers due to ICTA resolutions (31 December 2014: TL 38.749).

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**14. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

*Disputes related to Avea’s SCT*

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

As of 30 June 2015, a provision amounting to TL 59.642 is recognized (31 December 2014: 30.291).

*Other issues*

Provision has been provided in the consolidated financial statements for the probable court cases against the Group based on the lawyers’ assessments. The provision for such court cases is amounting to TL 31.551 as at 30 June 2015 (31 December 2014 : TL 23.999). For the rest of the cases, Group lawyers commented that basis of those cases are not realistic and should be appealed. Therefore, no provision has been provided for these cases.

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**15. FINANCIAL RISK MANAGEMENT AND POLICIES**

*Market risk*

*Foreign currency risk*

	30 June 2015					31 December 2014				
	TL Equivalent	US Dollar	Euro	GBP	Other	TL Equivalent	USD	Euro	GBP	Other
1. Trade receivables	138.932	21.479	26.956	–	1.176	165.583	32.415	31.644	2	1.864
2a. Monetary financial assets (Cash and banks accounts included)	499.843	166.854	17.307	3	–	209.276	56.734	27.545	5	–
2b. Non-monetary financial assets	–	–	–	–	–	–	–	–	–	–
3. Other	92.222	15.240	17.197	–	–	49.146	316	17.163	–	–
<b>4. Current assets (1+2+3)</b>	<b>730.997</b>	<b>203.573</b>	<b>61.460</b>	<b>3</b>	<b>1.176</b>	<b>424.005</b>	<b>89.465</b>	<b>76.352</b>	<b>7</b>	<b>1.865</b>
5. Trade receivables	5.919	2.204	–	–	–	4.072	1.580	145	–	–
6a. Monetary financial assets	38.866	9.420	4.547	–	–	29.787	8.254	3.775	–	–
6b. Non-monetary financial assets	–	–	–	–	–	–	–	–	–	–
7. Other	374	–	126	–	–	3.177	1.152	145	26	–
<b>8. Non-current assets (5+6+7)</b>	<b>45.159</b>	<b>11.624</b>	<b>4.673</b>	<b>–</b>	<b>–</b>	<b>37.036</b>	<b>10.986</b>	<b>4.065</b>	<b>26</b>	<b>–</b>
<b>9. Total assets (4+8)</b>	<b>776.156</b>	<b>215.197</b>	<b>66.133</b>	<b>3</b>	<b>1.176</b>	<b>461.041</b>	<b>100.451</b>	<b>80.417</b>	<b>33</b>	<b>1.865</b>
10. Trade payables	661.183	164.726	73.085	164	45	591.481	182.103	59.955	24	2
11. Financial liabilities	909.711	229.971	97.858	26	–	706.206	209.851	77.847	–	–
12a. Monetary other liabilities	41.152	5.966	8.425	–	–	18.514	2.834	4.234	–	–
12b. Non-monetary other liabilities	–	–	–	–	–	–	–	–	–	–
<b>13. Short-term liabilities (10+11+12)</b>	<b>1.612.046</b>	<b>400.663</b>	<b>179.368</b>	<b>190</b>	<b>45</b>	<b>1.316.201</b>	<b>394.788</b>	<b>142.036</b>	<b>24</b>	<b>2</b>
14. Trade payables	372	53	77	–	–	84	36	–	–	–
15. Financial liabilities	9.274.195	2.784.600	601.544	–	–	8.030.084	2.680.109	643.521	–	–
16 a. Monetary other liabilities	81.707	–	27.398	–	–	80.432	–	28.515	–	–
16 b. Non-monetary other liabilities	–	–	–	–	–	–	–	–	–	–
<b>17. Long-term liabilities (14+15+16)</b>	<b>9.356.274</b>	<b>2.784.653</b>	<b>629.019</b>	<b>–</b>	<b>–</b>	<b>8.110.600</b>	<b>2.680.145</b>	<b>672.036</b>	<b>–</b>	<b>–</b>
<b>18. Total liabilities (13+17)</b>	<b>10.968.320</b>	<b>3.185.316</b>	<b>808.387</b>	<b>190</b>	<b>45</b>	<b>9.426.801</b>	<b>3.074.933</b>	<b>814.072</b>	<b>24</b>	<b>2</b>
<b>19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b)</b>	<b>1.108.107</b>	<b>1.000.000</b>	<b>(529.204)</b>	<b>–</b>	<b>–</b>	<b>70.375</b>	<b>500.000</b>	<b>(386.100)</b>	<b>1</b>	<b>–</b>
<b>19a. Total asset amount hedged</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>19b. Total liability amount hedged</b>	<b>(1.108.107)</b>	<b>(1.000.000)</b>	<b>529.204</b>	<b>–</b>	<b>–</b>	<b>(70.375)</b>	<b>(500.000)</b>	<b>386.100</b>	<b>(1)</b>	<b>–</b>
<b>20. Net foreign currency asset/(liability) position (9-18+19)</b>	<b>(9.084.056)</b>	<b>(1.970.119)</b>	<b>(1.271.458)</b>	<b>(187)</b>	<b>1.131</b>	<b>(8.895.385)</b>	<b>(2.474.482)</b>	<b>(1.119.755)</b>	<b>10</b>	<b>1.863</b>
<b>21. Net asset/(liability) position of foreign currency monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(10.284.759)</b>	<b>(2.985.359)</b>	<b>(759.577)</b>	<b>(187)</b>	<b>1.131</b>	<b>(9.018.083)</b>	<b>(2.975.950)</b>	<b>(750.963)</b>	<b>(17)</b>	<b>1.862</b>
<b>22. Fair value of FX swap financial instruments</b>	<b>194.098</b>	<b>67.887</b>	<b>3.935</b>	<b>–</b>	<b>–</b>	<b>73.967</b>	<b>31.897</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>23. Hedged amount of foreign currency assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>24. Hedged amount of foreign currency liabilities</b>	<b>(1.108.107)</b>	<b>(1.000.000)</b>	<b>529.205</b>	<b>–</b>	<b>–</b>	<b>70.375</b>	<b>500.000</b>	<b>(386.100)</b>	<b>(1)</b>	<b>–</b>

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**15. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)**

*Market risk (continued)*

*Foreign currency risk (continued)*

The Group has transactional currency exposures mainly with respect to the financial liabilities and trade payables. Foreign currency denominated borrowings are stated in Note 7.

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

30 June 2015	Profit/Loss		Other comprehensive income	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>Appreciation of USD against TL by 10%:</b>				
1- USD net asset/liability	(510.997)	510.997	–	–
2- Hedged portion of USD risk (-)	–	–	–	–
<b>3- USD net effect (1+2)</b>	<b>(510.997)</b>	<b>510.997</b>	<b>–</b>	<b>–</b>
<b>Appreciation of Euro against TL by 10%:</b>				
4- Euro net asset/liability	(378.001)	378.001	17.043	(17.043)
5- Hedged portion of Euro risk (-)	–	–	–	–
<b>6- Euro net effect (4+5)</b>	<b>(378.001)</b>	<b>378.001</b>	<b>17.043</b>	<b>(17.043)</b>
<b>Appreciation of other foreign currencies against TL by 10%:</b>				
7- Other foreign currency net asset/liability	(9)	9	–	–
8- Hedged portion of other foreign currency (-)	–	–	–	–
<b>9- Other foreign currency net effect (7+8)</b>	<b>(9)</b>	<b>9</b>	<b>–</b>	<b>–</b>
<b>Total (3+6+9)</b>	<b>(889.007)</b>	<b>889.007</b>	<b>17.043</b>	<b>(17.043)</b>



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**15. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)**

*Market risk (continued)*

*Foreign currency risk (continued)*

31 December 2014	Profit/Loss		Other comprehensive income	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>Appreciation of USD against TL by 10%:</b>				
1- USD net asset/liability	(805.698)	805.698	(3.469)	3.469
2- Hedged portion of USD risk (-)	—	—	—	—
<b>3- USD net effect (1+2)</b>	<b>(805.698)</b>	<b>805.698</b>	<b>(3.469)</b>	<b>3.469</b>
<b>Appreciation of Euro against TL by 10%:</b>				
4- Euro net asset/liability	(98.034)	98.034	44.065	(44.065)
5- Hedged portion of Euro risk (-)	—	—	—	—
<b>6- Euro net effect (4+5)</b>	<b>(98.034)</b>	<b>98.034</b>	<b>44.065</b>	<b>(44.065)</b>
<b>Appreciation of other foreign currencies against TL by 10%:</b>				
7- Other foreign currency net asset/liability	119	(119)	—	—
8- Hedged portion of other foreign currency (-)	—	—	—	—
<b>9- Other foreign currency net effect (7+8)</b>	<b>119</b>	<b>(119)</b>	<b>—</b>	<b>—</b>
<b>Total (3+6+9)</b>	<b>(903.613)</b>	<b>903.613</b>	<b>40.596</b>	<b>(40.596)</b>

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**15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

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

The below table summarizes the carrying amounts and fair values of financial asset and liabilities.

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	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
<b>Financial assets</b>				
Cash and cash equivalents	1.990.706	2.538.446	1.990.706	2.538.446
Trade and other receivables (including related parties)	3.422.445	3.258.329	3.422.445	3.258.329
Other financial investments	11.840	11.840	(*)	(*)
Derivative financial assets	310.574	98.427	310.574	98.427
<b>Financial liabilities</b>				
Bank borrowings	7.739.211	6.558.167	7.739.211	6.558.167
Bills, bonds and notes issued	2.665.262	2.299.675	2.681.273	2.317.253
Financial leasing liabilities	17.027	19.956	17.027	19.956
Trade and other payables (including related parties)	2.095.141	2.296.135	2.095.141	2.296.135
Other financial liabilities	625.496	439.664	625.496	439.664
Derivative financial liabilities	178.486	84.591	178.486	84.591

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

*Fair value hierarchy table*

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

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**15. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)**

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

Fair value hierarchy table as at 30 June 2015 is as follows:

	Date of Valuation	Total	Fair Value Measurement		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Financial assets measured at fair value:</b>					
<u>Derivative Financial Assets:</u>					
Cross currency swaps	30 June 2015	277.409	–	277.409	–
Interest rate swaps	30 June 2015	33.165	–	33.165	–
<b>Financial liabilities measured at fair value:</b>					
<u>Derivative Financial Liabilities:</u>					
Interest rate swaps	30 June 2015	95.176	–	95.176	–
Cross currency swaps	30 June 2015	83.310	–	83.310	–
<u>Other financial liabilities:</u>					
Non-controlling interest put option liability	30 June 2015	625.496	–	625.496	–
<b>Other financial liabilities not measured at fair value</b>					
Bills, bonds and notes issued	30 June 2015	2.681.273	2.681.273	–	–

The Company, has signed Share Transfer Agreement with İş Bankası A.Ş in order to buy amounting to TL 875.000 representative share of 10,0035% of Avea’s issued capital in the non-controlling interest on 29 April 2015 (Note 13). As a result of the agreement, the fair value of non-controlling interest put option liability was based on the Share Transfer Agreement. Thus, it was reclassified to Level 2 in the fair value hierarchy table (31 December 2014: Level 3).

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**15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

*Fair value hierarchy table (continued)*

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

	Date of Valuation	Total	Fair Value Measurement		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Financial assets measured at fair value:</b>					
<u>Derivative Financial Assets:</u>					
Foreign exchange forward contracts	31 December 2014	73.967	–	73.967	–
Interest rate swaps	31 December 2014	24.395	–	24.395	–
Commodity derivative (Copper)	31 December 2014	65	–	65	–
<b>Financial liabilities measured at fair value:</b>					
<u>Derivative Financial Liabilities:</u>					
Interest rate swaps	31 December 2014	84.592	–	84.592	–
<u>Other financial liabilities:</u>					
Non-controlling interest put option liability	31 December 2014	439.664	–	–	439.664
<b>Other financial liabilities not measured at fair value</b>					
Bills, bonds and notes issued	31 December 2014	2.317.253	2.317.253	–	–

**Capital management policies**

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

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

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or return capital to shareholders. No changes were made in the objectives, policies or processes during the years 2015 and 2014.

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**16. PAID IN CAPITAL, RESERVES AND RETAINED EARNINGS**

*Dividends*

During the period 30 June 2015, remaining balance of 2014 distributable profit after assigning first and second legal reserves, which amounted to TL 1.840.853 (a dividend of full kuruş 0,525958 per share) has been distributed in cash to the shareholders as of reporting date.

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

**17. DERIVATIVE FINANCIAL INSTRUMENTS**

**Cash flow hedges and derivative financial instruments**

*Interest rate swaps*

The Company has also entered into an eight-part interest rate swap transaction between 11 April 2012 and 30 April 2012 with a maturity date on 21 March 2022 and a total notional amount of US Dollar 400.000. In addition, the Company has also entered into a four-part interest rate swap transaction between 8 April 2013 and 17 April 2013 with a maturity date on 21 August 2023 and a total notional amount of US Dollar 200.000.

The Company has also entered into a six-part interest rate swap transaction between 29 April -20 May 2014 with a maturity date on 19 June 2024 and a total notional amount of US Dollar 300.000. The Company has also entered into a five-part interest rate swap transactions between 15 - 16 May 2014 with a maturity date on 12 August 2024 and a total notional amount of US Dollar 150.000.

As of 30 June 2015 fair value of derivative transactions amounting to TL 95.176 has been recognised under long term financial liabilities (31 December 2014: TL 84.592). Unrealised loss on these derivatives amounting to TL 13.352 (31 December 2014: TL 133.058 loss) is recognised in other comprehensive income. Unrealised gain on these derivatives' time value amounting to TL 2.768 (31 December 2014: TL 8.948 loss) is recognised in statement of profit or loss.

<b>Company</b>	<b>Notional Amount (USD Dollar)</b>	<b>Trade Date</b>	<b>Maturity Date</b>	<b>Terms</b>	<b>Fair Value Amount as at 30 June 2015 (TL)</b>
Türk Telekom	400.000	11 April 2012 – 30 April 2012	21 March 2022	Pay fixed rates between March 2022 and March 2014, and receive floating rates	(34.638)
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	(5.330)
Türk Telekom	300.000	29 April – 20 May 2014	19 June 2024	Pay fixed rates between June 2016 and June 2024, and receive floating rates	(45.312)
Türk Telekom	150.000	15-16 May 2014	20 June 2024	Pay floating price between May 2014, August 2024 and receive fixed premium in certain interest rate corridors through interest option strategies	(9.896)
					<b>(95.176)</b>

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**17. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

**Cash flow hedges and derivative financial instruments (continued)**

**Interest rate swaps (continued)**

Company	Notional Amount (USD)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 December 2014 (TL)
Türk Telekom	400.000	11 April 2012 – 30 April 2012	21 March 2022	Pay fixed rates between March 2022 and March 2014, and receive floating rates	(31.826)
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	(2.379)
Türk Telekom	300.000	29 April – 20 May 2014	19 June 2024	Pay fixed rates between June 2016 and June 2024, and receive floating rates	(40.556)
Türk Telekom	150.000	15-16 May 2014	12 August 2024	Pay floating price between May 2014, August 2024 and receive fixed premium in certain interest rate corridors through interest option strategies	(9.831)
					<b>(84.592)</b>

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

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

**Other derivative instruments which are not designated as hedge**

As of 30 June 2015 fair value of the interest rate swap transactions which are not designated as hedge and amounting to TL 33.165 is recognised under long term financial assets (31 December 2014: TL 24.395 assets). Unrealised gain on these derivatives amounting to TL 8.770 (31 December 2014: TL 36.160 gain) is recognised in profit or loss.

Company	Notional Amount (USD)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 30 June 2015 (TL)
Türk Telekom	400.000	11 April 2012 – 30 April 2012	21 March 2022	Pay the difference between floating rate and 6% if floating rate exceeds 6%, between 19 March 2014 and 21 March 2022, and receive fixed premium (%0,24-0,27)	12.581
Türk Telekom	200.000	8 April 2013 – 17 April 2013	21 August 2023	Pay the difference between floating rate and 4% if floating rate exceeds 4%, between 21 August 2015 and 21 August 2023, and receive fixed premium (%0,24-0,27)	4.696
Türk Telekom	300.000	29 April – 20 May 2014	19 June 2024	Pay the difference between floating rate and 6% if floating rate exceeds 6%, between August 2016 and August 2021, and receive fixed premium (%0,44-%0,575) Pay the difference between floating rate and 6% if floating rate exceeds 6%, between August 2021 and August 2024, and receive fixed premium (%0,39-%0,45)	15.888
					<b>33.165</b>

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**17. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

<b>Company</b>	<b>Notional Amount (USD)</b>	<b>Trade Date</b>	<b>Maturity Date</b>	<b>Terms</b>	<b>Fair Value Amount as at 31 December 2014 (TL)</b>
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)	10.172
Türk Telekom	200.000	8 April 2013 – 17 April 2013	21 August 2023	Pay the difference between floating rate and 6% if floating rate exceeds 6%, between August 2015 and August 2023, and receive fixed premium (%0,24-0,27)	3.282
Türk Telekom	300.000	29 April – 20 May 2014	19 June 2024	Pay the difference between floating rate and 4% if floating rate exceeds 4%, between August 2016 and August 2021, and receive fixed premium (%0,44-%0,575) Pay the difference between floating rate and 6% if floating rate exceeds 6%, between August 2021 and August 2024, and receive fixed premium (%0,39-%0,45)	10.941
					<b>24.395</b>

The Company has also entered into four-part EUR cross currency transactions at 11 September 2014 and 18 June 2015 with maturity dates on 19 June 2019 and 2014 with a total notional amount of USD 625.000. The Company converted USD 625.000 debt into EUR debt by this transaction.

The Company has also entered into cross currency transactions on 21 April- 23 June 2015 with maturity dates on 19 June 2019 with a total notional amount of USD 375.000. The company converted USD 375.000 debt into TL debt within this transaction.

As of 30 June 2015, fair value of derivative transactions amounting to TL 227.410 (31 December 2014: TL 73.967) is recognized under short term financial assets. Unrealized gain on these derivatives amounting to TL 203.443 (31 December 2014: TL 73.967) is recognized in profit or loss.

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**17. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

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

Company	Notional Amount (USD)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 30 June 2015 (TL)
Türk Telekom	125.000	11 September 2014	19 June 2019	Sell EUR at maturity date and buy USD 1	50.320
Türk Telekom	175.000	6 January 2015	19 June 2024	Sell EUR at maturity date and buy USD 2	43.017
Türk Telekom	175.000	30 April 2015	19 June 2024	Sell EUR at maturity date and buy USD 3	18.573
Türk Telekom	150.000	18 June 2015	19 June 2024	Sell EUR at maturity date and buy USD 4	18.026
Türk Telekom	125.000	21 April 2015	19 June 2019	Sell TL at maturity date and buy USD 5	63.138
Türk Telekom	125.000	17 June 2015	19 June 2019	Sell TL at maturity date and buy USD 6	43.122
Türk Telekom	125.000	23 June 2015	19 June 2019	Sell TL at maturity date and buy USD 7	41.213
					<b>277.409</b>

1-Payment of 2,22% interest on EUR 96.525 in exchange for 3,75% interest on USD 125.000, on the interest payment dates of five-year bond between 19 June 2014 and 19 June 2019.

-Payment of EUR 96.525 in exchange for USD 125.000 at the maturity date of five-year bond.

2-Payment of 3,11% interest on EUR 143.443 in exchange for 4,875% interest on USD 175.000, on the interest payment dates of ten-year bond between 19 December 2014 and 19 June 2024.

-Payment of EUR 143.443 in exchange for USD 175.000 at the maturity date of ten-year bond.

3-Payment of 2,495 % interest on EUR 157.658 in exchange for 4,875% interest on USD 175.000, on the interest payment dates of ten-year bond between 19 December 2014 and 19 June 2024.

-Payment of EUR 157.658 in exchange for USD 175.000 at the maturity date of ten-year bond.

4-Payment of 2,76 % interest on EUR 131.579 in exchange for 4,875% interest on USD 150.000, on the interest payment dates of ten-year bond between 19 June 2015 and 19 June 2024.

-Payment of EUR 131.579 in exchange for USD 150.000 at the maturity date of ten-year bond.

5- On 21 April 2015 the Company has entered into a new cross currency swap transaction. With this new transaction, on the interest payment dates of the five year bond between 19 June 2015 and 19 June 2019, in exchange for receiving 3,75% interest for 125.000 USD Dollar; the Company will pay 5,45 % interest on notional amount using the foreign exchange rates;

-If USD Dollar / TL rate is below 2,32; TL amount which is calculated by market exchange rate at transaction date

-If USD Dollar / TL rate is between 2,32 and 3,75; TL amount which is calculated by 2,32 exchange rate

-If USD Dollar / TL rate is above 3,75; TL amount which is calculated by extracting 1,43 from market exchange rate

- For capital payments, the Company will pay TL amount which is calculated with exchange rate option strategy indicated above for interest payments in exchange for receiving 125.000 USD Dollar on maturity date.

6-7- On 17 and 23 June 2015 the Company has entered into two new cross currency swap transactions. With these new transactions, on the interest payment dates of the five year bond between 19 December 2014, 19 December 2015 and 19 June 2019, in exchange for receiving 3,75% interest for 125.000 USD Dollar; the Company will pay 5,12 % interest on notional amount using the foreign exchange rates;

-If USD Dollar / TL rate is below 2,60; TL amount which is calculated by effective exchange rate at transaction date

-If USD Dollar / TL rate is between 2,60 and 3,75; TL amount which is calculated by 2,60 exchange rate

-If USD Dollar / TL rate is above 3,75; TL amount which is calculated by extracting 1,43 from market exchange rate

For principal payments, the Company will pay TL amount which is calculated with exchange rate option strategy indicated above for interest payments in exchange for receiving 125.000 USD Dollar on maturity date.



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

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

**17. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

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

Company	Notional Amount (USD)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 December 2014 (TL)
Türk Telekom	500.000	11 September 2014	19 June 2019	The bond amount of USD 500.000 which has five year maturity between 19 June 2015 and 19 June 2019, there will be 3,75% interest recieved in the interest payment date with the exchange of interest payment 2,22% on EUR 386.100. At the payout date, EUR 368.100 will be payment exchange of USD 500.000.	73.967
					<b>73.967</b>

The Company has also entered into cross currency transactions on 6 January and 18 June 2015 with maturity dates on 18 June 2019 and 2024 with a total notional amount of EUR 910.582. As of 30 June 2015, fair value of derivative transactions amounting to TL 83.310 is recognized under short term financial liabilities. Unrealized loss on these derivatives amounting to TL 83.310 is recognized in profit or loss.

Company	Notional Amount (EUR)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 30 June 2015 (TL)
Türk Telekom	910.582	6 January 2015- 18 June 2015	18 June 2019- 19 June 2024	Cross currency transactions	(83.310)
					<b>(83.310)</b>

As of 31 December 2014, the Company had also entered into sixteen-part copper option transactions between 21 August and 27 November 2013 with a total notional amount of 1.000 tonnes. As of 30 June 2015, the option has completely matured on 5 January 2015 and gain on these derivatives amounting to TL 65 is recognised in the consolidated statement of profit or loss.

Company	Notional Amount (tonnes)	Trade Date	Maturity Date	Terms	Fair Value Amount as at 31 December 2014 (TL)
Türk Telekom	1.000	21 August 2013 – 27 November 2013	31 December 2014 - 5 January 2015	Pay floating price between June 2014 and January 2015 and receive fixed price.	65
					<b>65</b>

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**18. SUBSEQUENT EVENT**

On 9 July 2015, the Company has unwinded the cross currency swap transaction with a maturity date 11 September 2014 and with a notional amount of 125.000 USD Dollar; and entered into a participating cross currency swap transaction with the same nominal amount. With this new transaction, on the interest payment dates of the five year bond between 19 June 2015 and 19 June 2019, in exchange for receiving 3,75% interest for 125.000 USD Dollar; the Company will pay 4,62% interest on TL notional amount using the foreign exchange rates;

- If Dollar / TL rate is below 2,60; TL amount which is calculated by effective exchange rate at transaction date
- If Dollar / TL rate is between 2,60 and 3,75; TL amount which is calculated by 2,60 exchange rate
- If Dollar / TL rate is above 3,75; TL amount which is calculated by extracting 1,15 from market exchange rate

For principal payments, the Company will pay TL amount which is calculated with exchange rate option strategy indicated above for interest payments in exchange for receiving 125.000 Dollar on maturity date.