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

Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

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

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

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(Convenience translation of a report originally issued in Turkish - See additional paragraph below for convenience translation and Note 2.1)

Independent auditors' report

To the Shareholders of Türk Telekomünikasyon Anonim Şirketi;

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

Management's responsibility for the financial statements

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

Independent auditors' responsibility

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

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

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

(Convenience translation of a report originally issued in Turkish - See additional paragraph below for convenience translation and Note 2.1)

Opinion

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

Additional paragraph for convenience translation to English:

As at31 December 2012, the accounting principles described in Note 2.1 (defined as CMB Accounting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting and also for certain disclosures requirement of the CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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

Ethem Kutucular, SMMM

6 February 2013
İstanbul, Turkey

Türk Telekomünikasyon AnonimŞirketi and Its Subsidiaries

Consolidated balance sheet
as at 31 December 2012
(Currency - in Thousands of Turkish Lira ("TL"))

	Notes	**Current period Audited 31 December 2012**	Prior period Audited 31 December 2011
Assets			
Current assets		**4.366.561**	4.007.058
Cash and cash equivalents	6	**960.788**	978.676
Trade receivables			
- Due from related parties	10	**5.773**	14.880
- Other trade receivables	8	**2.120.215**	1.978.584
Other receivables	12	**138.323**	108.009
Inventories	13	**128.107**	106.607
Other current assets	15	**991.410**	820.302
		4.344.616	4.007.058
Non-current asset held for sale	19	**21.945**	-
Non-current assets		**12.841.289**	12.167.349
Trade receivables	8	**31.012**	83.307
Financial investments	16	**11.840**	11.840
Other financial assets	17	**3.226**	536
Other receivables	12	**28.143**	1.822
Investment property	20	**30.630**	257.601
Property, plant and equipment	21	**8.315.882**	7.898.823
Intangible assets	22	**4.050.250**	3.539.914
Goodwill	18	**48.734**	53.400
Deferred tax asset	14	**262.531**	261.692
Other non-current assets	15	**59.041**	58.414
Total assets		**17.207.850**	16.174.407

The accompanying policies and explanatory notes on pages 9 through 92 form an integral part of these consolidated financial statements.

Türk Telekomünikasyon AnonimŞirketi and Its Subsidiaries

Consolidated balance sheet
as at 31 December 2012
(Currency - in Thousands of Turkish Lira ("TL"))

	Notes	Current period Audited 31 December 2012	Prior period Audited 31 December 2011
Liabilities			
Current liabilities		**4.288.282**	5.607.183
Financial liabilities			
- Bank borrowings	7	**1.341.694**	2.294.597
- Obligations under finance leases	9	**7.125**	7.080
Other financial liabilities	17	**5.754**	31.643
Trade payables			
- Due to related parties	10	**7.389**	5.602
- Other trade payables	8	**1.250.705**	1.545.513
Other payables	12	**324.640**	455.139
Income tax payable	32	**125.405**	170.875
Provisions	23	**280.641**	239.926
Other current liabilities	15	**944.929**	856.808
Non-current liabilities		**6.464.420**	4.797.853
Financial liabilities			
- Bank borrowings	7	**4.668.350**	3.015.765
- Obligations under finance leases	9	**20.625**	28.718
Other financial liabilities			
- Minority put option liability	11	**467.561**	558.251
- Derivative financial instruments	17	**33.177**	3.475
Trade payables	8	**16.394**	87.375
Other payables	12	**8.956**	8.823
Provisions	23	**8.783**	11.518
Provisions for employee termination benefits	23	**749.489**	562.595
Deferred tax liability	14	**254.803**	269.913
Other non-current liabilities	15	**236.282**	251.420
Equity		**6.455.148**	5.769.371
Equity attributable to parent			
Paid-in share capital	24	**3.500.000**	3.500.000
Inflation adjustments to paid in capital (-)	24	**(239.752)**	(239.752)
Other reserves	23, 24, 25	**(1.427.923)**	(1.382.596)
Currency translation reserve		**31.353**	40.831
Restricted reserves allocated from profits		**1.825.257**	1.653.106
Retained earnings		**129.106**	129.106
Net income for the period		**2.637.107**	2.068.676
Total liabilities and equity		**17.207.850**	16.174.407

The accompanying policies and explanatory notes on pages 9 through 92 form an integral part of these consolidated financial statements.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated income statement
for year ended 31 December 2012
(Currency - in Thousands of Turkish Lira ("TL"))

	Notes	Current Period (Audited) 1 January 2012 - 31 December 2012	Prior Period (Audited) 1 January 2011 - 31 December 2011
Sales	5	**12.706.142**	11.940.555
Cost of sales (-)	5, 28	**(6.102.075)**	(5.279.179)
Gross profit		**6.604.067**	6.661.376
Marketing, sales and distribution expenses (-)	5, 28	**(1.864.926)**	(1.906.793)
General administrative expenses (-)	5, 28	**(1.466.258)**	(1.343.036)
Research and development expenses (-)	5, 28	**(31.177)**	(27.054)
Other operating income	5, 30	**317.019**	242.076
Other operating expense (-)	5, 30	**(158.994)**	(126.062)
Operating profit		**3.399.731**	3.500.507
Financial income	31	**872.480**	395.721
Financial expense (-)	31	**(905.809)**	(1.287.129)
Profit before tax		**3.366.402**	2.609.099
Tax expense			
- Current tax expense	32	**(761.237)**	(734.466)
- Deferred tax income/ (expense)	14, 32	**(12.035)**	24.893
Profit for the year		**2.593.130**	1.899.526
Attribution of period income			
Attributable to equity holders of the parent		**2.637.107**	2.068.676
Minorty interest	24	**(43.977)**	(169.150)
Earnings per shares attributable to equity holders of the parent from (in full Kuruş)	24	**0,7535**	0,5911
Earnings per diluted shares attributable to equity holders of the parent from (in full Kuruş)	24	**0,7535**	0,5911

The accompanying policies and explanatory notes on pages 9 through 92 form an integral part of these consolidated financial statements.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated statement of comprehensive income
for year ended 31 December 2012
(Currency - in Thousands of Turkish Lira ("TL"))

	Current Period	Prior Period
	(Audited)	(Audited)
	1 January 2012 - 31 December 2012	1 January 2011 - 31 December 2011
Profit for the year	**2.593.130**	1.899.526
Other comprehensive income:		
Fair value gain on hedging instruments transferred to consolidated income statement (Note 17)	**13.220**	41.773
Change in fair value of hedging instrument	**(31.872)**	(13.015)
Tax effect of hedging instrument	**6.635**	--
Hedge of net investment in a foreign operation (Note 17)	**10.410**	(46.545)
Tax effect of hedge of net investment in a foreign operation	**(2.082)**	9.494
Change in currency translation differences	**(9.478)**	30.946
Actuarial gain/(loss) (Note 23)	**(109.173)**	(63.541)
Tax effect of actuarial loss from empoyee benefits	**20.822**	12.293
Other comrehensive income (after tax)	**(101.518)**	(28.595)
Total comprehensive income	**2.491.612**	1.870.931
Appropriation of total comprehensive income:		
Attributable to equity holders of the parent	**2.534.102**	2.035.110
Minority interest	(42.490)	(164.179)

The accompanying policies and explanatory notes on pages 9 through 92 form an integral part of these consolidated financial statements.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated statement of changes in equity
for the year ended 31 December 2012
(Currency - in Thousands of Turkish Lira ("TL"))

						Other Reserves									
	Paid-in share capital	Inflation adjustment to paid in capital	Restricted reserves allocated from profits	Minority put option liability reserve	Share based payment reserve	Difference arising from the change in shareholding rate in a subsidiary	Reserve for hedge of net investment in a foreign operation	Cash flow hedge reserve	Actuarial loss arising from employee benefits	Currency translation reserve	Retained earnings	Net income for the period	Total	Minority interest	Total equity
Balance as at 1 January 2011	3.500.000	(239.752)	1.446.210	(582.848)	9.528	(308.634)	(925)	(36.786)	(201.884)	9.885	129.106	2.450.857	6.174.757	--	6.174.757
Net profit for the period	--	--	--	--	--	--	--	--	--	--	--	2.068.676	2.068.676	(169.150)	1.899.526
Other comprehensive income/(loss)	--	--	--	--	--	--	(37.051)	23.400	(50.861)	30.946	--	--	(33.566)	4.971	(28.595)
Total comprehensive income	--	--	--	--	--	--	(37.051)	23.400	(50.861)	30.946	--	2.068.676	2.035.110	(164.179)	1.870.931
Transfer to restricted reserves allocated from profits	--	--	206.896	--	--	--	--	--	--	--	--	(206.896)	--	--	--
Minority interest before classification to minority put option liability (Note 24)	--	--	--	--	--	--	--	--	--	--	--	--	--	(56.954)	(56.954)
Minority put option liability (Note 11)	--	--	--	(196.535)	--	--	--	--	--	--	--	--	(196.535)	221.133	24.598
Dividend paid (Note 23)	--	--	--	--	--	--	--	--	--	--	--	(2.243.961)	(2.243.961)	--	(2.243.961)
Balance as at 31 December 2011	3.500.000	(239.752)	1.653.106	(779.383)	9.528	(308.634)	(37.976)	(13.386)	(252.745)	40.831	129.106	2.068.676	5.769.371	--	5.769.371
Balance as at 1 January 2012	**3.500.000**	**(239.752)**	**1.653.106**	**(779.383)**	**9.528**	**(308.634)**	**(37.976)**	**(13.386)**	**(252.745)**	**40.831**	**129.106**	**2.068.676**	**5.769.371**	**--**	**5.769.371**
Net profit for the period	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**2.637.107**	**2.637.107**	**(43.977)**	**2.593.130**
Other comprehensive income/(loss)	**--**	**--**	**--**	**--**	**--**	**--**	**8.328**	**(14.004)**	**(87.851)**	**(9.478)**	**--**	**--**	**(103.005)**	**1.487**	**(101.518)**
Total comprehensive income	**--**	**--**	**--**	**--**	**--**	**--**	**8.328**	**(14.004)**	**(87.851)**	**(9.478)**	**--**	**2.637.107**	**2.534.102**	**(42.490)**	**2.491.612**
Transfer to retained earnings	**--**	**--**	**172.151**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**(172.151)**	**--**	**--**	**--**
Transfer to restricted reserves allocated from profits	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
Minority interest before classification to minority put option liability (Note 24)	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**(221.133)**	**(221.133)**
Difference due to the change in shareholding rate in a subsidiary	**--**	**--**	**--**	**--**	**--**	**(549.500)**	**--**	**(885)**	**(83)**	**--**	**--**	**--**	**(550.468)**	**550.468**	**--**
Minority put option liability (Note 11)	**--**	**--**	**--**	**598.668**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**598.668**	**(286.845)**	**311.823**
Dividend paid (Note 23)	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**(1.896.525)**	**(1.896.525)**	**--**	**(1.896.525)**
Balance as at 31 December 2012	**3.500.000**	**(239.752)**	**1.825.257**	**(180.715)**	**9.528**	**(858.134)**	**(29.648)**	**(28.275)**	**(340.679)**	**31.353**	**129.106**	**2.637.107**	**6.455.148**	**--**	**6.455.148**

The accompanying policies and explanatory notes on pages 9 through 92 form an integral part of these consolidated financial statements.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated statement of cash flows for the year ended 31 December 2012

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

	Notes	Current Period (Audited) 1 January - 31 December 2012	Prior Period (Audited) 1 January - 31 December 2011
Profit for the period before tax		**3.366.402**	2.609.099
Adjustments to reconcile profit before tax to cash provided by operating activities:			
Depreciation, amortisation expenses and impairment	29	**1.696.652**	1.576.530
Gain on sale of property, plant and equipment	30	**(172.252)**	(41.658)
IFRIC 12 adjustment		**(65.802)**	(16.140)
Foreign currency exchange (income) / expense, net		**(170.216)**	630.221
Interest income and (expense), net		**130.572**	18.693
Reversal of doubtful receivables	8, 12	**(189.410)**	(233.940)
Allowance for doubtful receivables	8, 12	**203.582**	230.268
Provision for employee termination benefits	23	**93.330**	100.760
Curtailment and settlement gain	23,30	**349**	--
Change in litigation provision, net	23	**69.905**	(31.136)
Change in unused vacation provision	23	**12.151**	15.405
Loss/(gain) on derivative financial instruments, net		**11.820**	56.153
Obsolete inventory provision		**(7.818)**	9.556
Other provisions		**(2.735)**	2.190
Operating profit before working capital changes		**4.976.530**	4.926.001
Net working capital changes in:			
Trade receivables and other receivables		**(107.164)**	(298.108)
Other current assets and inventories		**(113.672)**	(288.507)
Trade payables and other payables		**(363.317)**	241.628
Other non-current assets		**(51.361)**	24.066
Other current liabilities and provisions		**(128.119)**	175.253
Other non-current liabilities		**(6.511)**	4.913
Payments of employee termination benefits	23	**(15.940)**	(208.269)
Restricted cash		**238.305**	77.299
Provisions paid	23	**(41.266)**	(23.636)
Taxes paid		**(808.789)**	(696.452)
Net cash provided by operating activities		**3.578.696**	3.934.188
Investing activities			
Interest received		**204.159**	208.801
Proceeds from sale of property, plant, equipment and intangible assets		**171.800**	94.450
Purchase of property, plant, equipment and intangible assets	21, 22	**(2.347.577)**	(2.327.013)
Net cash used in investing activities		**(1.971.618)**	(2.023.762)
Cash flows from financing activities			
Proceeds from bank borrowings		**26.517.104**	15.964.755
Repayment of bank borrowings		**(25.657.102)**	(15.498.051)
Repayment of obligations under finance leases		**(6.513)**	(6.386)
Interest paid		**(309.752)**	(227.152)
Dividends paid	24	**(1.896.525)**	(2.243.961)
Derivative instrument payments		**(29.365)**	(79.298)
Net cash used in financing activities		**(1.382.153)**	(2.090.093)
Net increase/ (decrease) in cash and cash equivalents		**224.925**	(179.667)
Foreign exchange differences on cash and cash equivalents at the beginning of the year		**(4.508)**	16.635
Cash and cash equivalents at the beginning of the year	6	**226.595**	389.627
Cash and cash equivalents at the end of the year	**6**	**447.012**	226.595

The accompanying policies and explanatory notes on pages 9 through 92 form an integral part of these consolidated financial statements.

1. Corporate organization and activities

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

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

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

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

As at 31 December 2012 and 2011, the ultimate parent and controlling party of the Company is Saudi Oger Ltd ("Saudi Oger"), because of its controlling ownership in Oger Telecom.

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

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

1. Corporate organization and activities (continued)

The details of the Company's subsidiaries as at 31 December 2012 and 2011 are as follows:

				Effective ownership of the Company (%)	
Name of Subsidiary	Place of incorporation and operation	Principal activity	Functional Currency	**31 December 2012**	31 December 2011
TT Net Anonim Şirketi ("TTNet")	Turkey	Internet Service Provider	Turkish Lira	**100**	99,96
Avea İletişim Hizmetleri A.Ş.("Avea")	Turkey	GSM Operator	Turkish Lira	**89,99**	81,37
Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret Anonim Şirketi ("Argela")	Turkey	Telecommunications solutions	Turkish Lira	**100**	99,96
Innova Bilişim Çözümleri Anonim Şirketi ("Innova")	Turkey	Telecommunications solutions	Turkish Lira	**100**	99,99
Assistt Rehberlik ve Müşteri Hizmetleri Anonim Şirketi ("AssisTT")	Turkey	Call centre and customer relations	Turkish Lira	**100**	99,96
Sebit Eğitim ve Bilgi Teknolojileri A.Ş.("Sebit")	Turkey	Web based learning	Turkish Lira	**100**	99,96
Argela - USA. Inc.	USA	Telecommunication Solutions	U.S. Dollar	**100**	99,96
Sebit LLC	USA	Web Based Learning	U.S. Dollar	**100**	99,96
IVEA Software Solutions FZ-LLC ("IVEA")	UAE	Telecommunication Solutions	U.S. Dollar	**100**	99,96
SOBEE Yazılım Ticaret Limited Şirketi ("Sobee")	Turkey	Software gaming services	Turkish Lira	**100**	99,99
TT International Holding B.V. ("TT International")	Holland	Holding company	Euro	**100**	100
TT Global Services B.V. ("TT Global")	Holland	Service company	Euro	**100**	100
Pantel International AG ("Pantel Austria")	Austria	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	100
Pantel International Hungary Kft ("Pantel Hungary") (*)	Hungary	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	100
S.C. Euroweb Romania S.A. ("Pantel Romania") (*)	Romania	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	100
Pantel International Bulgaria EODD ("Pantel Bulgaria") (*)	Bulgaria	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	100
Pantel International CZ s.r.o ("Pantel Czech Republic")	Czech Republic	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	100
Pantel Telcom d.o.o Beograd ("Pantel Serbia ") (*)	Serbia	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	100
Pantel Telcomunikacijed.o.o ("Pantel Slovenia ") (*)	Slovenia	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	100
Pantel International SK s.r.o ("Pantel Slovakia ") (*)	Slovakia	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	100
MTCTR Memorex Telekomunikasyon Sanayi ve Ticaret Limited Şirketi ("Pantel Turkey") (*)	Turkey	Internet/data services, infrastructure and wholesale voice services provider	Turkish Lira	**100**	100
Memorex Telex Communications UA Ltd. ("Pantel Ukraine") (*)	Ukraine	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	100
Pantel International Italia S.R.L. ("Pantel İtalia) (*)	Italy	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	100
Pantel International DOOEL Skopje ("Pantel Macedonia") (*)	Macedonia	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	100
Pantel International LLC ("Pantel Russia")	Russia	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	-
Türk Telekomunikasyon Euro Gmbh. ("TT Euro") (*)	Germany	Mobil service marketing	Euro	**100**	-
Pan Telekom D.O.O. ("Pantel Crotia") (*)	Crotia	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	-
Net Ekran TV ve Medya Hiz. A.Ş. ("Net Ekran")	Turkey	Television and radio broadcasting	Turkish Lira	**100**	-
TT Euro Belgium S.A. (*)	Belgium	Internet/data services, infrastructure and wholesale voice services provider	Euro	**100**	-

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

1. Corporate organization and activities (continued)

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

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

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

The numbers of personnel of the Group as at 31 December 2012 and 2011 are disclosed in Note 23.

Consolidated financial statements were approved by the Board of Directors of the Company and authorized for issue on 6 February 2013. The general assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

2. Basis of presentation financial statements

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

2.1 Basis of presentation of the consolidated financial statements

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

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

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

As at 31 December 2012 and 2011, the consolidated financial statements have been prepared on the historical cost basis except with for the property, plant and equipment and investment property for which the deemed cost method was applied in accordance with IAS 16 "Property, Plant and Equipment" for acquisitions prior to 1 January 2000, derivative financial instruments and minority put option liability which have been reflected at their fair values. Investment properties and tangible assets which are recognised with deemed cost method are valued with fair values as of 1 January 2000, minority put option liabilities and derivative financial liabilities are valued with fair values as of balance sheet date.

2. Basis of presentation financial statements (continued)

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

In order to prepare financial statements in accordance with IFRSs, certain assumptions affecting notes to the financial statements and critical accounting estimations related to assets, liabilities, contingent assets and contingent liabilities are required to be used. Although these estimations are made upon the best afford of the Management by interpreting the cyclical circumstances, actual results may differ from the forecasts. Issues that are complex and needs further interpretation, which might have a critical impact on financial statements, are disclosed in Note 4.

In accordance with article 5th of the CMB Accounting Standards, companies should apply IFRS as adopted by the European Union (EU). However, again in accordance with the provisional clause 2 of the same standards adoption of the IFRS as adopted by the EU is postponed until the Turkish Accounting Standards Board ("TASB") (In November 2011 TASB has been dismissed and its responsibilities are transferred to Public Oversight Accounting and Auditing Standards Authority) declares the differences between the IFRS as adopted by the EU and the IFRS as adopted by the International Accounting Standards Board (IASB). Thus, for the year ended 31 December 2012, the Group prepared its consolidated financial statements in accordance with the Turkish Financial Reporting Standards which is in line with IFRS adopted by the IASB.

Additional paragraph for convenience translation to English:

As at 31 December 2012, the accounting principles described in Note 2 (defined as CMB Accounting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting and also for certain disclosures requirement of the CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

Classifications applied to financial statements as of 31 December 2011

In the consolidated balance sheet as of 31 December 2011, 24.403 TL amounted intermediary services for collection that are the business advances given to suppliers within the scope of "intermediary services for collection" amounted to TL 24.403 is reclassified to non-current assets from current assets.

"Income on release of bad debt provision" at the amount of TL 225.460, which was included in other operating income as of 31 December 2011, has been reclassified and presented net to the bad debt expense under general administrative expenses.

As of 31 December 2011, scrap sales profit amounting to TL 35.937 has been reclassified from cash flow provided by operating activities to "proceeds from sales of property, equipment and in tangible assets" under net cash used in investing activities.

2. Basis of presentation financial statements (continued)

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

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2012 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2012. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at 1 January 2012 are as follows:

IAS 12 Income Taxes: Recovery of Underlying Assets (Amendment)

IAS 12 has been updated to include i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. These amendments will be applied retrospectively. This amendment had no impact on the financial position or performance of the Group

IFRS 7 Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements (Amended)

The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitizations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. Comparative disclosures are not required. The amendment affects disclosures only and did not have any impact on the financial position or performance of the Group.

Standards issued but not yet effective and not early adopted

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

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

Amended standard is effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. The amendment affects presentation only and will have no impact on the financial position or performance of the Group.
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2. Basis of presentation financial statements (continued)

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

IAS 19 Employee Benefits (Amended)

Amended standard is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism, for determined benefit plans recognizing actuarial gain/(loss) under other comprehensive income and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. Since the Group recognizes the actuarial income and loss in the other comprehensive income statement, the amendment of the standard will not have any impact on the financial position or performance of the Group.

IAS 27 Separate Financial Statements (Amended)

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

IAS 28 Investments in Associates and Joint Ventures (Amended)

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

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

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

2. Basis of presentation financial statements (continued)

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

IFRS 7 Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements (Amended)

New disclosures would provide users of financial statements with information that is useful in (a) evaluating the effect or potential effect of netting arrangements on an entity's financial position and (b) analyzing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards. The amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The amendment affects disclosures only and will have no impact on the financial position or performance of the Group.

IFRS 9 Financial Instruments – Classification and measurement

As amended in December 2011, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

IFRS 10 Consolidated Financial Statements

The standard is effective for annual periods beginning on or after 1 January 2014 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

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

IFRS 11 Joint Arrangements

The standard is effective for annual periods beginning on or after 1 January 2014 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. The Group does not expect that this standard will have any impact on the financial position or performance of the Group.

2. Basis of presentation financial statements (continued)

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

IFRS 12 Disclosure of Interests in Other Entities

The standard is effective for annual periods beginning on or after 1 January 2014 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements should be also adopted early.

IFRS 12 includes all of the disclosures that were previously in IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Under the new standard the Group will provide more comprehensive disclosures for interests in other entities.

IFRS 13 Fair Value Measurement

The new Standard provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 and will be adopted prospectively. Early application is permitted. The new disclosures are only required for periods beginning after IFRS 13 is adopted — that is, comparative disclosures for prior periods are not required. The Group does not expect that this standard will have significant impact on the financial position or performance of the Group.

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

The Interpretation is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted. Entities will be required to apply its requirements for production phase stripping costs incurred from the start of the earliest comparative period presented. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The interpretation is not applicable for the Group and will not have any impact on the financial position or performance of the Group.

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

The guidance is effective for annual periods beginning on or after 1 January 2013. The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief. This guidance has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new revised standard on financial performance or position of the Group.

2. Basis of presentation financial statements (continued)

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

Improvements to IFRSs

The IASB has issued the Annual Improvements to IFRSs – 2009 – 2011 Cycle, which contains amendments to its standards. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS. The effective date for the amendments is for annual periods beginning on or after 1 January 2013. Earlier application is permitted in all cases, provided that fact is disclosed. This project has not yet been endorsed by the EU. The Group does not expect that this project will have significant impact on the financial position or performance of the Group.

IAS 1 Financial Statement Presentation:

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

IAS 16 Property, Plant and Equipment:

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

IAS 32 Financial Instruments: Presentation:

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

IAS 34 Interim Financial Reporting:

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

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. The amendment applies for annual periods beginning on or after 1 January 2014 with earlier application permitted. This guidance has not yet been endorsed by the EU. The amendment will have no impact on the financial position or performance of the Group.

2. Basis of presentation financial statements (continued)

2.2 Basis of consolidation

As at 31 December 2012, the consolidated financial statements include the financial results of Türk Telekom and its subsidiaries listed at Note 1. Control is normally evidenced when the Company owns, either directly or indirectly, more than 50% of the voting rights of a subsidiary's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The results of subsidiaries acquired during the year are included in the consolidated statements of income from the effective date of acquisition as appropriate.

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

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

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

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

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

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

On 15 September 2006, the Company, Türkiye İş Bankası A.Ş. (İş Bank) and the companies controlled by İş Bank (altogether will be referred as İş Bank Group) signed an "Amendment Agreement" to the "Shareholder Agreement" and the "IPO and Put Option Agreement" originally dated 15 February 2004. In accordance with the Amendment Agreement, the Company has granted a put option to İş Bank Group, the minority shareholder in Avea, on the shares owned by İş Bank Group. In order to reflect the minority put option liability in the consolidated financial statements, the minority interest is reclassified as minority put option liability as ''long term liabilities' after appropriation to the minority interest of its share of recognized income and expense for the year. The value of the minority interest before the fair value calculation and the fair value amount is classified as 'minority put option liability reserve' based on the Group accounting principles applied for the acquisition of minority shares (Notes 11 and 24).

3. Valuation basis and Significant accounting policies applied

Business combinations

From 1 January 2010 the Group has applied revised IFRS 3 "Business Combinations" in accounting for business combinations. The change in accounting policy has been applied prospectively and had no effect on business combinations completed during prior periods.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquirer. The consideration transferred is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, the liabilities incurred by the Group to former owners of the entity and the equity interests issued by the Group. When the agreement with the seller includes a clause that the consideration transferred could be adjusted for future events, the acquisition-date fair value of this contingent consideration is included in the cost of the acquisition. All transaction costs incurred by the Group have been recognized in general administrative expenses.

For each business combination, the Group elects whether it measures the non-controlling interest in the acquirer either at fair value or at the proportionate share of the acquirer's identifiable net assets.

3. Valuation basis and Significant accounting policies applied (continued)

Business combinations (continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquirer.

Acquisition method requires allocation of the acquisition cost to the assets acquired and liabilities assumed at their fair values on the date of acquisition. Accordingly, acquired assets and liabilities and contingent liabilities assumed are recognized at IFRS 3 fair values on the date of acquisition. Acquired company is consolidated starting from the date of acquisition.

If the fair values of the acquired identifiable assets, liabilities and contingent liabilities or cost of the acquisition are based on provisional assessment as at the balance sheet date, the Group made provisional accounting. Temporarily determined business combination accounting has to be completed within two months following the combination date and adjustment entries have to be made beginning from combination date.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the aggregate of the consideration transferred measured at fair value at the date of acquisition and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed at fair value in accordance with IFRS 3 on the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Whenever the carrying amount exceeds the recoverable amount, an impairment loss is recognized in the consolidated income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the acquisition, irrespective of whether other assets or liabilities are assigned to these units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amounts of the net assets assigned to the cash-generating unit, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

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

3. Valuation basis and Significant accounting policies applied (continued)

Investment in an associate

As of 31 December 2012 and 2011, the Group accounted its 20% shareholding in Cetel Telekom İletişim Sanayi ve Ticaret Anonim Şirketi (Cetel) as financial investments in the consolidated financial statements. As of 31 December 2012 and 2011, Cetel is carried at cost after deducting impairment, if any, because the Company does not have significant influence at Cetel. The Company cannot obtain the financial information necessary for equity accounting and cannot influence Cetel with this regard. Accordingly, the Company believes that it does not have significant influence on Cetel.

Property, plant and equipment

Property, plant and equipment ("PPE") of the Group is carried at cost less accumulated depreciation and any accumulated impairment losses. The Group elected to measure property, plant and equipment of the Company on a deemed cost basis in the first period of application of IAS 29 "Financial Reporting in Hyper Inflationary Economy" since detailed records of the acquisition date and costs of items of PPE were not available for the Company prior to 1 January 2000. The deemed cost values for land and buildings as at 1 January 2000 were appraised by CMB licensed real-estate valuation companies. The network equipment and vehicles values were appraised by Detecon International GmbH (a subsidiary of Deutsche Telecom AG). Other than the PPE for which cost was determined on a deemed cost basis, the cost of PPE generally comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. PPE that are recognized at deemed cost basis or at cost are restated for the effects of inflation until 31 December 2004 in accordance with UMS 29.

Expenditures incurred after the PPE has been put into operation, such as repairs and maintenance, are normally charged to income statement in the year the costs are incurred. The Group recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if the recognition criteria are met

Depreciation is charged other than land and construction in progress, over their estimated useful economic lives using the straight-line method.

The useful lives for PPE are as follows:

	Years (*)
Buildings	21-25 years
Outside plant	5-21 years
Transmission equipment	5-21 years
Switching equipment	5-8 years
Data networks	3-10 years
Vehicles	5 years
Furniture and fixtures	3-5 years
Other property, plant and equipment	2-8 years

(*) The remaining useful lives of the PPE are limited to the concession periods. Considering the Concession Agreement useful lives of purchases made in 2012 are limited to 14 years.

3. Valuation basis and Significant accounting policies applied (continued)

Property, plant and equipment (continued)

Assets held under finance leases are depreciated over their expected useful economic lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of PPE is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated income statement.

Revenue sharing projects

Payments are made to contractors, as consideration for property, plant and equipment investments under revenue sharing projects, based on a percentage of revenues generated once the project has been completed and taken into operations and up to an agreed upon level. Revenue sharing projects are accounted for using a method similar to a finance lease, where assets are recognized as assets of the Group at their fair value at the time the project is completed and put in operation or, if lower, at the present value of the minimum payments. The corresponding liability is included in the balance sheet as an obligation. Payments are apportioned between finance charges, maintenance expense where material, and reduction of the obligation so as to achieve a constant rate of interest on the remaining balances of the liability. Finance expenses are recognised in the consolidated income statement.

Investment property

Investment properties, which are properties held to earn rent and/or for capital appreciation are measured initially at cost, including transaction costs and subsequent to initial recognition, investment properties, are stated at their cost less accumulated depreciation and any accumulated impairment losses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. The Group decided to measure investment property on a deemed cost basis in the first period of application of IAS 29, since detailed records of the acquisition date and costs of items of investment property were not available prior to 1 January 2000 and restated these deemed cost basis for the effects of inflation until 31 December 2004.

In case the intended use of the properties is changed by the Group, the properties are reclassified by a transfer between the property, plant and equipments and the investment properties account. When the investment properties are derecognized, the difference between the sales proceeds and the carrying amount of the property is reflected to the consolidated income statement.

Professional assessments of the 1 January 2000 market values were conducted by CMB licensed independent real-estate appraisers. Following initial recognition, investment properties are carried at cost less any accumulated amortization and any accumulated impairment losses.

Depreciation is charged other than land, over their estimated useful economic lives, using the straight-line method. The useful lives of buildings that are owned by the Group range between 15 - 50 years (considering the Concession Agreement, 2012 acquisitions' useful lives are limited to 14 years).

3. Valuation basis and Significant accounting policies applied (continued)

Non-current assets held for sale

The Group classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or the group of assets held for sale) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable management must be committed to a plan to sell the asset (or the group of assets held for sale) and an active program to locate a buyer and complete the plan must have been initiated. Furthermore, the asset (or the group of assets held for sale) must be actively marketed for sale at a price that is reasonable in relation to its fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

In case the period to complete sale of assets is extended due to circumstances which are not under the control of the Group, the assets will continue to be classified as assets held for sale provided that the Group has still an active sales program.

The Group measures assets held for sale at the lower of its carrying amount and fair value less costs to sell. When the sale is expected to occur beyond one year, the Group determines the net present value of the selling price. Any increase in the present value arises from the passage of time is presented in the consolidated income statement as a finance cost. The Group does not depreciate a non-current asset while it is classified as held for sale.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is charged to the consolidated income statement in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or infinite. The Group does not have any intangibles with infinite useful lives. Intangible assets with finite lives are amortized on a straight line basis over the shorter of their useful economic lives or remaining concession period. Whenever there is an indication that the intangible asset may be impaired it is assessed for impairment.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated income statement. The amortization periods for intangible assets are between 3 and 20 years. The remaining useful lives of the intangible items are limited to the concession periods. Considering the Concession Agreement, 2012 acquisitions' useful lives are limited to 14 years.

Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual project is recognized as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

3. Valuation basis and Significant accounting policies applied (continued)

Research and development costs (continued)

Impairment test is performed annually in order to identify whether there is any impairment in the development stage. After initial recognition, development costs are recognized at cost less amortization and impairment. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Periodic impairment tests are applied to the assets in order to foresee any probable impairment on the assets in the period that they are not ready for utilization yet.

Impairment of property, plant and equipment and intangible assets excluding goodwill

At each balance sheet date, the Group assesses whether there is an indication that any of its PPE and intangible assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated income statement.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs comprise purchase cost and, where applicable and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Net realizable value is the estimated selling price in the ordinary course of business, less marketing, selling and other various expenses to be incurred in order to realize sale.

Financial instruments

Financial assets consist of cash and cash equivalents, trade receivables, financial assets, other receivables, derivative financial assets and receivable from related parties. Financial liabilities consist of trade payables, due to related parties, derivative financial liabilities, and other payables.

Financial assets and financial liabilities are recognized on the Group balance sheet when the Group becomes a party to the contractual provisions of the instrument.

3. Valuation basis and Significant accounting policies applied (continued)

Financial instruments (continued)

When a financial instrument gives rise to a contractual obligation on the part of the Group to deliver cash or another financial asset or to exchange another financial instrument under conditions that are potentially unfavourable, it is classified as a financial liability. The instrument is equity instrument if, are met:

a) The instrument includes no contractual obligation to deliver cash or another financial asset to another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

b) If the instrument will or may be settled in the Group's own equity instruments, it is a non-derivative that includes no contractual obligation for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments where their original maturities are three months or less, that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other receivables and allowances for doubtful receivables

Trade receivables are recognized at original invoice amount however subsequently they are carried at original invoice amount less allowance for any uncollectible amounts. Subsequent to initial recognition, trade receivables are measured at amortized cost. None interest rate bearing short term receivables are measured at original invoice amount unless the effect of imputing interest is significant.

Trade and other payables

Trade and other payables are initially measured at fair value. None interest rate bearing short term payables are measured at original invoice amount unless the effect of imputing interest is significant.

Financial borrowings

Interest-bearing financial borrowings are initially measured at the fair value of the consideration received, less directly attributable costs and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings through the amortization process, using the effective interest rate method as explained above.

Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

3. Valuation basis and Significant accounting policies applied (continued)

Financial instruments (continued)

Derivative financial instruments

The Group uses derivative financial instruments to hedge its interest rate and foreign currency risk exposures arising from its long term borrowings. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to profit or loss.

The fair value of option contracts is calculated by reference to current option rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market value for similar instruments.

For the purpose of hedge accounting, hedges are classified as; cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company assesses the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. It is expected that hedge transaction is to be effective in stabilize changes between changes in fair value or cash flow. During all financial reporting periods in which it is defined, hedge transaction is evaluated continuously for identification of effectiveness and it is expected to be consistent with documented risk management strategy.

Cash flow hedges

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

The effective portion of the gain or loss on the hedging instrument is recognized directly in consolidated statement of comprehensive income, while any ineffective portion is recognized immediately in the consolidated income statement at financial income and expense accounts.

Amounts taken to the consolidated statement of comprehensive income are transferred to the consolidated income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs.

If the forecast transaction or commitment is no longer expected to occur, amounts previously recognized in the consolidated statement of other comprehensive income are transferred to consolidated income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

3. Valuation basis and Significant accounting policies applied (continued)

Financial instruments (continued)

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issuance costs.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a company of similar financial assets) is derecognized where the rights to receive cash flows from the asset have expired, the Group retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement or the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated income statement.

Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized in the consolidated income statement.

3. Valuation basis and Significant accounting policies applied (continued)

Derecognition of financial assets and liabilities (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in the consolidated income statement.

Reserve is provided for the overdue uncollectible receivables. Also portfolio reserve is provided for the not due receivables based on certain criteria. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Related Parties

Parties are considered related to the Company if;

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

- (i) The entity and the company are members of the same group.
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Long-term employee benefits

Payments to defined contribution retirement benefit plans are charged as an expense in the year in which the contributions relate to. Payments made to the Social Security Institution of Turkey and Turkish Republic Retirement Fund are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan. The Group pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense in the period to which the employees' service relates.

3. Valuation basis and Significant accounting policies applied (continued)

Long-term employee benefits (continued)

For defined benefit plans and other long-term employment benefits, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for any unrecognized past service cost. There is no funding requirement for defined benefit plans. The Group recognizes actuarial gains and losses in the consolidated statement of comprehensive income.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Contingent assets and liabilities

Possible assets or obligations that arise from past events and which existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are treated as contingent assets or liabilities.

A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. If the possibility of transfer of assets is probable, contingent liability is recognized in the financial statements. A contingent asset is disclosed, where an inflow of economic benefits is probable.

Taxation and deferred income taxes

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. Valuation basis and Significant accounting policies applied (continued)

Taxation and deferred income taxes (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The Company and the other consolidated subsidiaries have reflected their deferred tax asset and liabilities by netting their individual balances; however, there is no netting on a consolidation basis. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to consolidated income statement, except when it relates to items charged or credited directly to the equity in which case the deferred tax is also dealt within the equity.

Prepaid corporation taxes and corporate tax liabilities are offset when they relate to income taxes levied by the same taxation authority.

Leasing - the Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Leasing - the Group as lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the consolidated income statement.

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Service revenues are recorded at the time services are rendered.

3. Valuation basis and Significant accounting policies applied (continued)

Revenue recognition (continued)

Fixed-line revenues

Revenues from fixed-line telecommunication services like network access, local usage, domestic and international long distance and infrastructure leases are recognized on an accrual basis as services are provided. Connection fees are immediately recognized as revenue since the fees are below the cost of connection which is also recognized immediately as an expense.

Revenues from sale of Indefeasible Right of Use contracts, which are long term capacity/line rental arrangements, are accounted over the term of the contract.

GSM revenues

Revenues generated from mobile telecommunication services such as outgoing and incoming traffic, roaming revenues, revenues from value added services and monthly fees which are recognized at the time services are rendered. With respect to prepaid outgoing revenues, the Group generally collects cash in advance by selling scratch cards to dealers and distributors. In such cases, the Group does not recognize revenues until the subscribers use the service and present such amounts under deferred revenues in the consolidated financial statements.

The Group recognizes content revenue based on the agreement between the Group and the content providers. As the Group is the primary obligor of the service, the revenue received from the subscribers is presented on gross basis and the portion paid to the content providers is recognized as operating expense.

Equipment sales revenues

Revenues from sales of phone device, modem and other network equipment are recorded as revenue at the time of delivery of equipment to customers.

In connection with campaigns, other telecommunication services may be bundled with phone devices and modems. Total arrangement considerations relating to the bundled contract are allocated among the different units if the component has standalone value to the customer and the fair value of the component can be measured reliably. The arrangement consideration is allocated to each deliverable in proportion to the fair value of the individual deliverables. Revenue attributed to delivered component is limited with the amount not contingent to the undelivered component. Equipment revenues are presented in other revenues. Cost of products and services are recorded as expense when related revenue recorded.

Borrowing costs

Borrowing costs that directly attributable to the acquisition, building or manufacturing of a specific asset are recognized as a part of the cost of the related asset, whereas other borrowing costs are recognized as expense in the consolidated income statement in the period they are incurred.

Other income

Interest income is recognized as interest accrues (using the effective interest rate that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

3. Valuation basis and Significant accounting policies applied (continued)

Subscriber acquisition costs

The Group recognizes subscriber acquisition costs in the consolidated income statement in the year which they are incurred. Subscriber acquisition costs include subsidization of the handset, taxes on subscription and dealer commissions incurred for acquisitions.

Effects of changes in exchange rates

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange rate at the reporting date. Foreign currency differences arising on translation of foreign currency transactions are recognized in the income statement. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined.

For the subsidiaries whose functional currency is not TL assets and liabilities are retranslated to TL at the exchange rate ruling at the reporting date. The income and expenses are translated to TL at exchange rates approximating to the exchange rates at the dates of the transactions. Foreign currency differences arising on retranslation are recognized directly in equity under currency translation reserve.

The Groups hedges it net investment in a foreign operation through a financial liability. Where the differences arising on settlement or translation of monetary items are designated as part of the hedge of the Group's net investment of a foreign operation, these are recognized in other comprehensive income. These amounts are carried at other comprehensive income until the net investment is disposed, at which time; the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Goodwill and fair value differences that arose as a result of acquisition of foreign operation is determined as asset and liability of the foreign operation and translated to TL using the exchange rate at the reporting date.

4. Critical accounting judgments and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, the Management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements (apart from those involving estimations).

Operating Lease Commitments – Group as Lessor: The Group has entered into a cross-occupation agreement with the PTT. The Group has determined that it retains all the significant risks and rewards of ownership of its properties subject to the agreement which are leased out on operating leases.

Minority Put Option Liability – On valuing the minority put option liability; the Group considered that there will be no Initial Public Offering ("IPO") for Avea before 1 January 2015 and, therefore, expects that the put option will be exercisable at the earliest as at 1 January 2015.

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

Sales Campaign Income: Group makes campaigns with suppliers under which they bundle telecommunication services with equipment supplied by the suppliers. The Group management accounts bundled offers as an agent if the sale transaction satisfies the below conditions:

- Group, has no inventory risk.
- Group has no responsibility on technical qualifications of equipment delivered to customers. Responsibility after sale belongs to supplier.
- Group does not make any modification on the equipment.
- Group shares credit risk with the supplier.
- Group earns either a fixed rate of commission or zero profit on the transaction.

Prepaid Card Sales Agent –Principal Analysis: Since Avea is primarily responsible for providing the service, has credit and inventory risk and determinant in setting prices; starting from April 2010, Avea recognizes prepaid card incomes on gross basis.

Content Sales- Since Avea is primarily responsible for providing the service, has credit and determinant in setting prices; Avea recognizes content revenues on gross basis

Critical judgments of the Group in relation with IFRIC 12 are explained in "key sources of estimation uncertainty" in IFRIC 12 section.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

a) The Group determines whether property, plant and equipment is impaired by estimating the recoverable amount of the assets whenever there is an indication of impairment. This requires an estimation of the value in use of the cash-generating units. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows (Note 18).

b) The estimates used by the Group in the application of IFRIC 12 are as follows:

   i) As of 31 December 2012, the Company considers that approximately 30% of the foreseen network investments related with the replacement of the network equipment that are reclassified to intangible assets at 1 January 2007 and then are recorded to financial statements as intangible assets are the contractual replacements as required by the concession agreement. The Group has provided provision amounting to TL 8.783 (2011: TL 11.518) (Note 23-b) in the consolidated financial statements for the foreseen contractual replacements in the future. Aforementioned provision is the present value as at 31 December 2012 of the contractual replacement expenses that will be realized in the future. Discount rate used in provision calculation is determined as 12,5% (2011 – 12,4%).

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

ii) In accordance with IFRIC 12, the Company has determined the cost of the investments in intangible assets recognized under the scope of IFRIC 12 by adding the profit margin, which is applied in the market for similar construction services, to the cost of acquiring the related network equipment. The estimated profit margin used in construction services provided in exchange for concession right is 13% (2011 – 13%) for the year ended as of 31 December 2012. The profit margin of property, plant and equipment accounted within the scope of IFRIC 12 amounting to TL 571.973 (2011 – TL140.297) (Note 22) is TL65.802 for the year ended as of 31 December 2012 (2011 – TL 16.140).

c) A deferred tax asset is recognized only to the extent that it is probable that a tax benefit will be realized in the future. If it is probable that a tax benefit will be realized, a deferred tax asset is recognized on unused tax losses, unused tax credits and other deductible temporary differences. With the expectation to recover certain part of its tax losses carried forward in Avea, the Group has recognized deferred tax assets on statutory tax losses available for offsetting with future statutory taxable profits amounting to TL 238.500 (31 December 2011 – TL 245.000). Every year, the Group re-assesses its tax loss carry forwards and if there is a material change in the deferred tax asset recognized in the consolidated financial statements, the deferred tax assets are also changed (Note 14).

d) Assumptions used in the impairment test of property, plant and equipment and intangible assets have been explained in Notes 18 and 21.

e) The impairment losses in trade and other receivables are based on management's evaluation of the volume of the receivables outstanding, historical collection trends and general economic conditions. The Group follows collection of trade receivables periodically and on the basis of previous years collection ratios, records provisions in case of losses due to trade receivables should economic conditions, collection trends or any specific industry trend worsen compared to management estimates, allowance for doubtful receivables recognized in consolidated financial statements may not be sufficient to cover bad debts.

Assumptions used to calculate allowance for doubtful receivables have been reconsidered by the Group during 2012. If the assumptions have not been changed allowance for doubtful receivables would have been TL 108.837 higher for the year ended 31 December 2012. The effect of the change in doubtful receivable estimation future periods cannot be computed because the allowance for doubtful receivables depends on future collections and total amount that will be invoiced.

f) Assumptions used by Company in goodwill impairment test are explained in Note 18. The Group determines the useful life of an asset by considering its future economic benefit. This evaluation is driven by the Group's previous experience on similar experiences. The Group also considers useful life of the asset from technical and commercial perspectives due to changes and developments in market in order to assess whether additional impairment is required or not.

g) There are other estimations made by the management during the determination of useful lives and provisions for litigations (Note 23).

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

h) The Group calculates market value of minority share put opinion liability as at 1 January 2015, based on discounted cash flow method. Value of the liability is determined as of 1 January 2015 and discounted to 31 December 2012 (The details have been explained in Note 11).

i) The Group decided to disclose land and buildings which significant portion of total area is rented as investment property and so, as of 31 December 2012, investment property with net book value of TL 216.050 and TL 3.436 is reclassified to land and buildings and asset held for sale, respectively.

5. Segment reporting

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

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

5. Segment reporting (cont'd)

	Fixed line		Mobile		Eliminations		Consolidated	
	1 January-31 December 2012	1 January-31 December 2011	**1 January-31 December 2012**	1 January-31 December 2011	**1 January-31 December 2012**	1 January-31 December 2011	**1 January-31 December 2012**	1 January-31 December 2011
Revenue								
Domestic PSTN	**3.836.954**	4.114.396	**-**	-	**-**	-	**3.836.954**	4.114.396
ADSL	**3.069.320**	2.924.566	**-**	-	**-**	-	**3.069.320**	2.924.566
GSM	**-**	-	**3.474.744**	3.080.495	**-**	-	**3.474.744**	3.080.495
IFRIC12 revenue	**571.973**	140.297	**-**	-	**-**	-	**571.973**	140.297
Data service revenue	**560.557**	443.004	**-**	-	**-**	-	**560.557**	443.004
International interconnection revenue	**463.605**	461.009	**-**	-	**-**	-	**463.605**	461.009
Domestic interconnection revenue	**308.899**	321.493	**-**	-	**-**	-	**308.899**	321.493
Leased lines	**349.325**	449.416	**-**	-	**-**	-	**349.325**	449.416
Rental income from GSM operators	**87.882**	98.514	**-**	-	**-**	-	**87.882**	98.513
Other	**329.871**	244.879	**-**	-	**-**	-	**329.871**	244.879
Eliminations	**-**	-	**-**	-	**(346.988)**	(337.513)	**(346.988)**	(337.513)
Total revenue	**9.578.386**	9.197.574	**3.474.744**	3.080.495	**(346.988)**	(337.513)	**12.706.142**	11.940.555
Cost of sales and operating expenses (excluding depreciation and amortization)	**(5.116.904)**	(4.607.133)	**(2.992.634)**	(2.706.805)	**341.754**	334.406	**(7.767.784)**	(6.979.532)
Other income / (expense)	**152.851**	112.535	**3.895**	6.161	**1.279**	(2.682)	**158.025**	116.014
Depreciation and amortization	**(1.032.844)**	(972.042)	**(642.183)**	(603.926)	**4.202**	1.506	**(1.670.825)**	(1.574.462)
Impairment on FA & IFA	**(21.347)**	(2.068)	**-**	-	**-**	-	**(21.347)**	(2.068)
Impairment on goodwill	**(4.480)**	-	**-**	-	**-**	-	**(4.480)**	-
Earnings before interest, tax, depreciation anc	**4.614.333**	4.702.975	**486.005**	379.851	**(3.955)**	(5.788)	**5.096.383**	5.077.038
Doubtful receivable provision expense	**6.190**	(44.971)	**12.351**	49.776	-	-	**18.541**	4.805
Capital expenditure	**1.681.177**	1.481.467	**755.760**	798.837	(1.803)	(2.788)	**2.435.134**	2.277.516
Contribution to the consolidated revenue (*)	**9.306.068**	8.894.430	**3.400.074**	3.046.126	-	-	**12.706.142**	11.940.556
Contribution to the consolidated EBITDA (**)	**4.396.037**	4.447.110	**700.345**	629.927	-	-	**5.096.382**	5.077.037

(*) Capital expenditures do not include TL 65.802 (2011 – TL 16.140) amounted profit margin which is capitalized on intangible assets that are accounted within the scope of IFRIC 12.

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

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

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

5. Segment reporting (continued)

	1 January-31 December 2012	1 January-31 December 2011
Fixedline segment EBITDA	**4.614.333**	4.702.975
GSM segment EBITDA	**486.005**	379.851
Inter-segment eliminations	**-3.955**	(5.789)
Consolidated EBITDA	**5.096.383**	5.077.037
Financial income	**872.480**	395.721
Financial expenses (-)	**(905.809)**	(1.287.129)
Depreciaiton and amortisation, impairment	**(1.696.652)**	(1.576.530)
Consolidated profit before tax	**3.366.402**	2.609.099

31 December 2012

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

31 December 2011

	Fixed Line	**Mobile**	**Eliminations**	**Other uncollected amounts**	**Consolidated**
Total segment assets	15.809.970	5.274.992	(4.910.555)	-	16.174.407
Total segment liabilities	(8.309.437)	(6.462.623)	4.925.274	(558.251)	(10.405.037)

(*) Includes minority put option liability amounting to TL 467.561 (2011–TL 558.251).

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

6. Cash and cash equivalents

	31 December 2012	31 December 2011
Cash on hand	**791**	2.495
Cash at banks– Demand Deposit	**439.694**	399.447
Cash at banks– Time Deposit	**520.232**	575.603
Other	**71**	1.131
	960.788	978.676

As of 31 December 2012, time deposits are all short-term, maturing within one month and denominated in both foreign currencies and TL. The interest rates are between 3,25% - 12,10% for TL deposits, between 0,10% - 4,55% for US Dollar deposits and between 0,10% - 5,29% for Euro deposits. (31 December 2011 – for TL deposits between 3,75% and 12,15% for TL deposits, for US Dollar deposits between 0,50% and 5,10% and for Euro deposits between 1,60% and 8,00%).

As of 31 December 2012, TL 87.816 (2011 - TL 119.374) of time deposits represents advances received from the Turkish Armed Forces for Turkish Armed Forces Integrated Communication Systems ("TAFICS") projects. The interest income from these time deposits are added to the advances received and not reflected in the consolidated income statement as per agreement between parties (Note 15). These time deposits are restricted and can only be used for payments related to TAFICS projects.

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

	31 December 2012	31 December 2011
Cash and cash equivalents	**960.788**	978.676
Less: restricted amounts		
- Collection protocols	**(284.687)**	(323.643)
- Restricted deposit in relation to bank borrowings	**(124.411)**	(283.965)
- TSKEMS projects	**(87.816)**	(119.374)
- ATM collection	**(6.479)**	(4.869)
- Other	**(10.383)**	(20.230)
Not restricted cash	**447.012**	226.595

As of 31 December 2012, demand deposits amounting to TL 284.687 (2011 - TL 323.643) is restricted due to collection protocols signed with banks for receipts from the subscribers, under which proceeds are made available to the Group a certain number of days after the cash is collected. As of 31 December 2012, all (2011- all) of restricted deposits in relation to bank borrowings consist of blocked time deposits related to Avea's bank borrowing. An additional amount of TL 6.479 arising from collections through automated teller machine ("ATM") is not available for use at 31 December 2012 (2011- TL 4.869).

Within the context of the Bank Account Pledge Agreement signed by Avea and its lenders, Avea provided an account pledge over all of its bank accounts amounting to TL 508.781 at 31 December 2012 ; (2011- TL 472.798) in favour of Security Trustee. Avea is required to pledge any new bank account as they are opened and also to inform the Security Trustee on a monthly basis about such new accounts as well as the closed accounts.

Out of TL 960.788 (2011- TL 978.676), cash and cash equivalents amounting to TL 508.809 (2011 – TL472.817) belongs to Avea.

At 31 December 2012, the Group had available of Euro 70.000 undrawn committed borrowing facilities.

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

7. Financial liabilities– Net

	31 December 2012			31 December 2011		
	Weighted average nominal interest rate (%)	**Original amount**	**TL equivalent**	Weighted average nominal interest rate (%)	Original amount	TL equivalent
Short-term borrowings:						
TL bank borrowings with fixed interest rates	**5,17**	**284.162**	**284.162**	12,11	755.292	755.292
Interest accruals:						
TL bank borrowings with fixed interest rates		**604**	**604**		2.219	2.219
USD bank borrowings with fixed interest rates		**1.386**	**2.471**		1.389	2.624
USD bank borrowings with variable interest rates		**8.615**	**15.357**		7.526	14.216
Euro bank borrowings with fixed interest rates		**-**	**-**		54	132
Euro bank borrowings with variable interest rates		**7.769**	**18.270**		6.035	14.748
JPY bank borrowings with variable interest rates		**37.201**	**768**		-	-
Short-term portion of long-term bank borrowings:						
USD bank borrowings with fixed interest rates	**2,98**	**165.368**	**294.785**	3,00	43.383	81.947
USD bank borrowings with variable interest rates (*)	**3,47**	**187.824**	**334.815**	3,16	403.492	762.159
Euro bank borrowings with fixed interest rates	**-**	**-**	**-**	6,83	11.157	27.265
Euro bank borrowings with variable interest rates (**)	**2,84**	**166.034**	**390.462**	3,92	259.431	633.995
Total short-term borrowings			**1.341.694**			2.294.597
Long-term borrowings:						
USD bank borrowings with fixed interest rates	**2,98**	**257.611**	**459.217**	3,00	344.614	650.940
USD bank borrowings with variable interest rates (*)	**3,47**	**1.010.218**	**1.800.815**	3,16	433.420	818.689
Euro bank borrowings with variable interest rates (**)	**2,84**	**980.582**	**2.306.035**	3,92	632.677	1.546.136
JPY bank borrowings with variable interest rates (***)	**2,82**	**4.951.728**	**102.283**	-	-	-
Total long-term borrowings			**4.668.350**			3.015.765
Total financial liabilities			**6.010.044**			5.310.362

(*) Libor + (varies between %1,70 – %3,40) spread
(**) Euribor + (varies between %0,25 – %3,25) spread
(***) JPY Libor + %2,5

As of 31 December 2012 the fair value of the bank borrowings is TL 6.012.371 (2011 - TL 5.307.258). Avea's total borrowings included in the consolidated financial statements amount to TL 164.731 (2011 - TL 683.017).

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

7. Financial Liabilities - Net (continued)

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

	31 December 2012					31 December 2011				
	Up to 3 moths	**3 months to 1 year**	**1 year to 5 years**	**More than 5 year**	**Total**	Up to 3 moths	3 months to 1 year	1 year to 5 years	More than 5 year	Total
TL bank borrowings with fixed interest rates	**272.356**	**12.410**	**-**	**-**	**284.766**	757.511	-	-	-	757.511
US bank borrowings with fixed interest rates	**2.826**	**294.430**	**369.379**	**89.838**	**756.473**	3.354	81.217	516.028	134.912	735.511
US bank borrowings with variable interest rates	**207.895**	**142.277**	**1.333.293**	**467.522**	**2.150.987**	350.269	426.106	742.214	76.475	1.595.064
Euro bank borrowings with fixed interest rates	**-**	**-**	**-**	**-**	**-**	227	27.170	-	-	27.397
Euro bank borrowings with variable interest rates	**103.623**	**305.109**	**2.079.052**	**226.983**	**2.714.767**	96.483	552.260	1.234.441	311.695	2.194.879
JPY bank borrowings with variable interest rates	**768**	**-**	**102.283**	**-**	**103.051**	-	-	-	-	-
	587.468	**754.226**	**3.884.007**	**784.343**	**6.010.044**	1.207.844	1.086.753	2.492.683	523.082	5.310.362

The re-pricing or the earlier contractual maturities of bank borrowings in equivalent of TL are as follows:

	31 December 2012					31 December 2011				
	Up to 3 moths	**3 months to 1 year**	**1 year to 5 years**	**More than 5 year**	**Total**	Up to 3 moths	3 months to 1 year	1 year to 5 years	More than 5 year	Total
TL bank borrowings with fixed interest rates	**272.356**	**12.410**	**-**	**-**	**284.766**	757.511	-	-	-	757.511
US bank borrowings with fixed interest rates	**2.826**	**294.430**	**369.379**	**89.838**	**756.473**	3.354	81.217	516.028	134.912	735.511
US bank borrowings with variable interest rates	**1.004.074**	**500.721**	**646.192**	**-**	**2.150.987**	1.532.726	62.338	-	-	1.595.064
Euro bank borrowings with fixed interest rates	**-**	**-**	**-**	**-**	**-**	227	27.170	-	-	27.397
Euro bank borrowings with variable interest rates	**1.304.611**	**1.410.156**	**-**	**-**	**2.714.767**	988.437	1.206.442	-	-	2.194.879
JPY bank borrowings with variable interest rates	**103.051**	**-**	**-**	**-**	**103.051**					
	2.686.918	**2.217.717**	**1.015.571**	**89.838**	**6.010.044**	3.282.255	1.377.167	516.028	134.912	5.310.362

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

7. Financial liabilities (continued)

The following borrowings of Avea as of 31 December 2012 and 2011 are secured by a security package:

	31 December 2012			31 December 2011		
	US Dollar	**Euro**	**TL equivalent**	US Dollar	Euro	TL equivalent
Borrowings secured by security package	**79.871**	**9.148**	**163.892**	335.216	20.068	682.232

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

As of 31 December 2012 a maximum total amount of TL 163.892 equivalent to USD 79.871 and Euro 9.148 guarantees represented below are given for financial liabilities of Avea.

- Commercial Enterprise Pledge on all movable fixed assets of commercial enterprise of Aria and the trade name of Avea, (excluding the movable fixed assets of commercial enterprise of Aycell). The Commercial Enterprise Pledge secures the Senior Secured Financial Indebtedness of Avea up to a maximum amount of TL 1 million (equivalent to USD 560.978 as at 31 December 2012).

- Account pledges on all the bank accounts of Avea, which do not restrict operational usage of the accounts in the normal course of business (31 December 2012 - TL 508.781; 2011 - TL 472.798).

- Mortgage on the building of AVEA in Ümraniye amounting up to US Dollar 40.600 in favor of the Security Agent.

- Assignment of Receivables: The material contracts entered into by Avea that results in a revenue or cost to Avea over US Dollar 20.000 per annum are assigned as security in favor of the Lenders as part of Security Package. In case of an event of default, Avea counterparties under material contracts will perform any of their obligations towards Lenders in the same conditions as they were valid to Avea during the normal course of business.

- Debt Service Reserve Fund: Restricted accounts used to ensure that in order to meet debt service after six months(Note 6).

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

1. Financial covenants (ratios):

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

   b) Türk Telekom consolidated net debt to Türk Telekom consolidated EBITDA Ratio should be 2 at maximum.

7. Financial liabilities (continued)

2. General undertakings, among others, are:

   a) License agreement ("Avea's Concession Agreement") must be maintained in full force and effect.

   b) To keep Avea's business unaffected from any sale or disposal of any assets, there is an annual limitation of US Dollar 10.000 for selling, leasing or disposing of its assets, with some exceptions determined in the Finance Documents.

   c) Avea created security over its assets in favour of the lenders as collateral that should not be diluted with new securities created over the same assets.

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

   a) US Dollar 300.000 "Contingent Equity Support" to be drawn when cash generated by Avea is insufficient to pay its debt service,

   b) US Dollar 500.000 "Corporate Guarantee" to be called in an event of default,

   c) Pledging shares it owns in Avea,

   d) Assignment of Receivables: As a condition to the facilities being made available to Avea, the Company is obliged to assign its rights, titles, interests and benefits in, to and under its receivables and the claims arising from Subordinated Loan Agreements made towards Avea and in respect of each condemnation event, in favor of the Security Trustee as a continuing security for the fulfilment of the secured obligations.

   e) Company also provides extra support on demand of Avea due to operational or financial shortage amounting to US Dollar 450.000. (additional support)

      The support has been wholly used as of 31 December 2012.

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

   The support has been wholly used as of 31 December 2012.

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

   The support has been wholly used as of 31 December 2012.

Pantel Turkey borrowed Euro 10.000 loan in total from a Turkish bank's Bahrain Branch for the investment of construction of fiber optic lines. In return for this loan,

Pantel Turkey assigned its receivables amounting to its outstanding loan balance to the corresponding bank as a guarantee. As of 31 December 2012 loan payable amounts to Euro 1.827.

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

8. Trade receivables and payables

a) Trade receivables

	31 December 2012	31 December 2011
Short-term		
Trade receivables	**3.388.639**	3.221.509
Other trade receivables	**46.900**	70.024
Allowance for doubtful receivables (-)	**(1.315.324)**	(1.312.949)
Total short-term trade receivables	**2.120.215**	1.978.584
Long-term		
Trade receivables	**31.012**	83.307
Total long-term trade receivables	**31.012**	83.307

Trade receivables generally have an average 30 day terms (2011 – 30 days).

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

	31 December 2012	31 December 2011
At January 1	**(1.312.949)**	(1.317.070)
Provision for the year	**(189.055)**	(230.056)
Reversal of provision - collections (Note 30)	**186.257**	231.694
Write off doubtful receivables	**372**	2.501
Change in currency translation differences	**51**	(18)
At 31 December	**(1.315.324)**	(1.312.949)

The Company waits up to 90 days before initiating legal action for overdue receivables. Based on its previous collection performance from overdue receivables, the Company expects to make significant collection from its overdue receivables. As of 31 December 2012 and 2011 the analysis of trade receivables that were past due but not impaired is as follows:

			Past due but not impaired					
	Total	Neither past due nor impaired	> 30 Days	30-60 days	60-90 days	90-120 days	120-360 days	>360 days
31 December 2012	**2.151.227**	**1.159.074**	**162.665**	**229.107**	**118.151**	**92.497**	**222.335**	**167.398**
31 December 2011	2.061.891	1.243.108	221.038	219.699	125.924	85.815	122.337	43.970

Receivables guaranteed from dealers of the Group are amounting to TL 45.664 (2011 – TL21.070).

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

8. Trade receivables and payables (continued)

b) Trade payables

	31 December 2012	31 December 2011
Short-term		
Trade payables	1.249.605	1.544.943
Other trade payables	1.100	570
Total short-term trade payables	**1.250.705**	1.545.513
Long-term		
Trade payables	16.394	87.375
Total long-term trade payables	**16.394**	87.375

Trade payables amounting to TL 235 as at 31 December 2012 (2011 - TL 177) represent payable to suppliers due to TAFICS projects (Note 6).

The average term of trade payables is between 30 and 90 days (2011 – 30 and 90 days).

As of 31 December 2012 and 2011, long-term trade payables represent payables to suppliers of equipments that are purchased in connection with sale campaigns and will be paid when collected from the subscribers. Information related to the Group's credit risk is presented in Note 33

9. Receivables and obligations under finance and operational leases

Financial leases:

The Group has no financial lease receivables as of 31 December 2012 and 2011.

Finance lease obligations that the Group has entered into for acquisition of network equipment and a building are as follows:

	31 December 2012		31 December 2011	
	Principal	**Interest**	Principal	Interest
Within one year	**7.125**	**1.240**	7.080	1.809
Between one to two years	**7.029**	**888**	6.962	1.445
Between two to five years	**13.596**	**675**	21.756	1.820
	27.750	**2.803**	35.798	5.074

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

9. Receivables and obligations under finance and operational leases (continued)

Operating leases:

a) After the foundation of the Company, an agreement was signed between PTT and the Company in 1997 to grant the right of free use of buildings occupied by both parties for 49 years. In 2005, an amendment was made to the agreement requiring the Company to pay TL 35.000 per year for ten years (which will be escalated based on rent increase rate determined by Ministry of Finance) to PTT in exchange for the use of net m^2 of building space owned by the PTT but occupied by the Company or vice versa. The parties will renegotiate the term of the agreement at the end of ten years. Since the transaction between PTT and the Company is not an arms-length transaction, it has been reflected on a net cash basis in the consolidated financial statements, instead of grossed up fair value (Note 10).

At the balance sheet date, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	31 December 2012 (*)	31 December 2011 (*)
Within one year	**60.480**	54.427
In the second to fifth years (inclusive)	**241.920**	217.707
After fifth year	**1.753.920**	1.632.799
	2.056.320	1.904.933

(*) Future escalations have not been considered and future payments are calculated based on current year's rent amount.

b) The Company has operating lease agreements with respect to leased lines. The revenue from leased lines for the year ended 31 December 2012 is TL 237.635 (2011 – TL 317.199).

c) Group entered into operating lease agreements with respect to base stations and leased lines. Total operating lease expense for the year ended 31 December 2012 amounts to TL 230.085 TL (2011 –179.644).

A summary of commitments in relation to base station leases and leased lines are as follows:

	31 December 2012	31 December 2011
Within one year	**146.673**	105.392
In the second to fifth years (inclusive)	**100.561**	143.988
Later than five years	**25.110**	27.656
	272.344	277.036

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

10. Due from and due to related parties - net

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

Institutions under state control are defined as related parties due to 30% ownership and the golden share of the Treasury. As explained in Note 2.1, state controlled entities are defined as related parties but in accordance with the exemption given from the IAS 24 disclosure requirements, state controlled entities are excluded from general reporting requirements.

Details of balances and transactions between the Group and other related parties as at 31 December 2012 and 2011 are disclosed below:

	31 December 2012	31 December 2011
Due from related parties		
Parent company		
Saudi Telecom Company ("STC") (2)	**5.240**	14.604
Other related parties		
Oger Telekom Yönetim Hizmetleri Limited Şirketi ("OYTH") (1)	**151**	78
Other	**382**	198
	5.773	14.880
Due to related parties		
Parent company		
STC (2)	**784**	667
Other related parties		
OTYH (1)	**6.552**	4.804
Other	**53**	131
	7.389	5.602

(1) a subsidiary of Oger Telecom
(2) shareholder of Oger Telecom

Transactions with shareholders:

As of 31 December 2012, the Company made dividend payment to the Treasury at the amount of TL 600.825 (2011 - TL 710.894). The dividend payment to OTAŞ amount to TL 1.043.089 (2011 - TL 1.234.179).

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

As of 31 December 2012, unpaid portion of these liabilities are recorded under other short term liabilities (Note 15) and reflected to cost of sales account.

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

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

Transactions with other related parties:

Postage services have been rendered by PTT to the Group. Besides, PTT is collecting the Company's and TTNet's invoices and in return for these services the Group is paying collection commissions to PTT.

Operational lease payment made to PTT by the Company in 2012 as part of the lease agreement (Note 9) amounts to TL 60.480 (2011– TL 54.426).

The Group is rendering and receiving international traffic carriage services and data line rent services to and from STC. Total revenues and expenses incurred in relation to these services amounted to TL 15.669 and TL 8.441, respectively, as of 31 December 2012 (31 December 2011 – TL 14.080 revenues and TL 844 expenses)

Compensation of key management personnel

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

	31 December 2012	31 December 2011
Short-term benefits	**88.924**	45.901
Long-term defined benefit plans	**1.718**	1.057
	90.642	46.958

Furthermore, OTMSC charged to the Company a management fee amounting to TL 19.617 and an expense fee for an amount of TL 351 for the year ended 31 December 2012 (2011 – TL 14.619 and TL 139), based on the contract between OTMSC and the Company. OTMSC's ultimate shareholder is Saudi Oger. Significant portion of this payment represents salaries of key management personnel. The contract has been renewed on 15 April 2012 for an annual charge of USD 12.000 (prior contract value: 8.500 USD) for three years.

Guarantees provided to related parties:

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

The Company guaranteed EUR 8.000 to support financing of Cetel.

11. Minority put option liability

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

a) If an IPO for Avea does not take place before 1 January 2011, then starting from 1 January 2011 until 31 December 2014 ("First Period") İş Bank Group at any time during the First Period shall have the right to demand that the Company initiate and execute an IPO to be concluded within nine months starting from the date of the demand. However, the Company may decide, within thirty days following the date of the demand for IPO, to postpone the IPO until the end of the First Period.

11. Minority put option liability (continued)

b) If an IPO does not take place by the end of the "First Period" then starting from 1 January 2015 until 31 December 2015, İş Bank Group shall have the right to demand that the Company initiate and execute an IPO.

c) Within one month following the execution of an IPO, via any of the methods described above and regardless of the timing of the IPO, İş Bank Group shall have the right to sell to the Company all of their outstanding shares in Avea at a price equal to the IPO price less a five percent discount.

At Avea's Extraordinary General Assembly meeting held on 28 February 2012 it has been decided to decrease Avea's share capital which is TL 7.115.000 by netting off TL 3.295.000 of accumulated losses and to subsequently increase it back to TL 7.115.000 with a share premium. In this process, İş Bank Group Companies, then holding 18.63% of Avea shares, decided not to exercise their pre-emptive rights and the Company exercised İş Bank Group companies' unexercised rights. With this decision the Company's share in Avea increased to 89.9965%. The decisions taken in the Extraordinary General Assembly dated 20 March 2012 was registered and all of capital commitment is paid by the Company as of 31 December 2012.

While determining fair value of minority put option liability as of 31 December 2012, it had been assumed that İş Bankası Group would exercise its option on 1 January 2015. The Company has estimated a value based discounted cash flows after 31 December 2014. The value determined as at 1 January 2015 is then discounted back to 31 December 2012. The fair value of the put option liability as at 31 December 2012 amounts to TL 467.561 (2011 – TL 558.251). In accordance with Group's accounting policies, the change between fair values of minority put option liabilities as of 31 December 2012 and 2011 has been accounted in other reserves under equity.

In order to reflect the minority put option liability in the consolidated financial statements, the minority interest (after giving the effect of loss) as at 31 December 2012, amounting to negative TL 286.845 (2011 – negative TL 221.133), has been reclassified from equity to "minority put option liability" under long-term liabilities after appropriation of profit / loss to the minority interest for the year. The fair value of minority put option liability, has been determined as TL 467.561 (2011 - TL 558.251), and the difference of TL 180.716 (2011 - TL 779.383) is reflected in equity as "minority put option liability reserve", based on the Group's accounting policy for the acquisition of minority interest (Note 24).

The enterprise value used as a base for the minority put option fair value determination has been calculated using cash flow projections from the business plan of Avea covering a five-year plan. Weighted Average Cost of Capital (WACC) used for the discount of cash flows for the period that Avea will pay income tax is 13,7% and 14,7% for non-taxable period. The valuation is tested at a sensitivity of +2% / -2%. Avea's corporate value is based on a discounted cash flow (DCF) study implemented until 2029.

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

12. Other receivables and payables

Other current assets

	31 December 2012	31 December 2011
Other current assets	**137.926**	85.548
Deposits and guarantees given	**397**	22.461
Other doubtful receivables	**33.872**	22.498
Allowance for other doubtful receivables	**(33.872)**	(22.498)
	138.323	108.009

As of 31 December 2012, TL 43.136 (2011 – TL 49.568) portion of other short term receivables consists of receivables from Ministry of Transport and Communications due to the expenses made under Universal Service Fund.

As of 31 December 2012, other doubtful provision has increased amounting to TL 14.527 (2011 – TL 212) while TL 3.153 (2011 – TL 2.246) of the provision is released.

Other long term assets

As at 31 December 2012, Group's other long term receivables amount is TL 28.143 (2011 – TL1.822).

Other current liabilities

	31 December 2012	31 December 2011
Taxes and duties payable	**257.975**	238.228
Social security premiums payable	**37.926**	59.879
Payables to personnel	**6.545**	118.780
Deposits and guarantees taken	**2.651**	189
Other payables	**19.543**	38.063
	324.640	455.139

As of 31 December 2011, TL 111.564 out of total payables to personnel represent retirement pay, vacation pay and termination incentive payables within the scope of employee termination incentive program.

Other non-current liabilities

	31 December 2012	31 December 2011
Deposits and guarantees taken	**7.761**	8.823
Other payables	**1.195**	--
	8.956	8.823

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

13. Inventories

The Group has an inventory balance of TL 128.107 as at 31 December 2012 (2011- TL106.607). Major part of this balance is composed of modems, computer, tablet, dect phones, cable box, SIM cards and consumables such as linkage block.

14. Deferred tax assets and liabilities

Deferred tax

The Group calculates deferred tax assets and liabilities based on temporary differences arising between the carrying amount of assets and liabilities as reported for CMB purposes and their tax base for statutory purposes. These temporary differences are mainly due to the timing differences of certain income and expense items in statutory and CMB financial statement as disclosed below.

The Group perpetually reassesses unrecognized deferred tax assets and decided to account for deferred tax assets (resulting from Avea and Pantel) arising from the tax losses carried forward based on the estimated taxable profits according to the business plan. As of December 31, 2012, Avea has reassessed unrecognized deferred tax assets and concluded that there is impairment on deferred tax asset and the amount has been decreased to TL 238.500.

As of 31 December 2012, deferred tax asset arising from prior year tax losses of Pantel Group is amounting to TL 32.454 (2011- TL 29.770). Pantel's unrecognized deductible tax losses that will be utilized upon the existence of a tax base and the expiration dates are as follows:

Expiration years	31 December 2012
2014	**34**
2015	**308**
2016	**302**
2017	**1.004**
2018	**22**
No expiry date	**400**
	2.070

As of 31 December 2012, the deferred tax asset recognized for Avea's carried forward tax losses amounted to TL 238.500 (2011 – TL 245.000). Avea's unrecognized deductable tax losses that will be utilized upon the existence of a tax base and the expiration dates are as follows:

Expiration years	31 December 2012
2013	**821.880**
2014	**1.183.769**
2015	**872.038**
2016	**514.173**
	3.391.860

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

14. Deferred tax assets and liabilities (continued)

Deferred tax (continued)

For the calculation of deferred tax asset and liability, a rate of 20% for the companies established in Turkey was used as at 31 December 2012 and 2011.

Deferred tax asset / liability	**Base for deferred tax calculation 31 December 2012**	**Deferred tax assets / (liabilities) 31 December 2012**	Base for deferred tax calculation 31 December 2011	Deferred tax assets / (liabilities) 31 December 2011
Temporary differences on property, plant and equipment	**(1.987.605)**	**(444.320)**	(2.140.085)	(434.269)
Income accruals	**(300.135)**	**(60.027)**	(210.366)	(42.073)
Derecognition of lawsut fees	**(15.072)**	**(3.014)**	(15.072)	(3.014)
Other	**(61.982)**	**(12.370)**	(87.211)	(17.462)
	(2.364.794)	**(519.731)**	(2.452.734)	(496.818)
Deferred tax asset recognized from tax losses carried forward	**1.200.988**	**273.867**	1.354.613	273.835
Provision for long-term employee benefits	**737.742**	**147.634**	552.216	110.448
Provision for unused vacation	**81.075**	**16.256**	77.252	15.450
Expense accruals	**102.987**	**20.597**	81.862	16.372
Provision for doubtful receivables	**124.598**	**24.979**	215.181	43.012
Universal service fund and other contributions	**141.812**	**28.362**	108.137	21.627
Other	**63.047**	**15.764**	37.240	7.853
	2.452.249	**527.459**	2.426.501	488.597
Deferred tax liability, net		**7.728**		(8.221)
Deferred tax asset, net		**262.531**		261.692
Deferred tax liability, net		**(254.803)**		(269.913)

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

14. Deferred tax assets and liabilities (continued)

Deferred tax (expenses) / income	1 January- 31 December 2012	1 January- 31 December 2011
Provision for long-term employee benefits	**16.364**	(21.763)
Temporary differences of property, plant and equipment	**12.058**	18.018
Universal service fund and other contributions	**6.735**	(3.531)
Expense accruals	**4.225**	4.586
Provision for unused vacation	**806**	2.800
Tax losses carried forward	**32**	9.808
Fixed assets revaluation fund	**(22.109)**	-
Provision for doubtful receivables	**(18.033)**	2.804
Income accruals	**(17.954)**	(2.316)
Hedging instruments	**(6.635)**	-
Currency translation differences	**(528)**	2.506
Other	**13.004**	11.981
Deferred tax (expense) / income	**(12.035)**	24.893

Movement of deferred tax liability	31 December 2012	31 December 2011
Opening balance, 1 January	**(269.913)**	(301.551)
Deferred tax related to items charged or credited directly to OCI during the year:		
Actuarial gain	**20.822**	12.293
Net investment hedge	**6.635**	-
Reflected to period profit or loss	**(12.874)**	21.851
Currency translation differences	**528**	(2.506)
Closing balance as of 31 December	**(254.802)**	(269.913)

Movement of deferred tax asset	31 December 2012	31 December 2011
Opening balance, 1 January	**261.692**	258.650
Reflected to period profit or loss	**839**	3.042
Closing balance as of 31 December	**262.531**	261.692

	31 December 2012	31 December 2011
Reflected to period profit or loss:		
- Deferred tax liability (expense) / income	**(12.874)**	21.851
- Deferred tax asset income / (expense)	**839**	3.042
Deferred tax income (Note 32)	**(12.035)**	24.893

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

15. Other current and non-current assets

Other current assets

	31 December 2012	31 December 2011
Income accrual (1)	**502.882**	400.241
Intermediary services for collection (2)	**131.052**	50.920
Other prepaid expenses	**116.688**	138.770
Prepaid rent expense (3)	**101.512**	86.664
Advances given (4)	**68.910**	90.406
VAT and Special Communications Tax (SCT) receivable	**65.840**	49.927
Other current assets	**4.526**	3.374
	991.410	820.302

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

Other non-current assets

	31 December 2012	31 December 2011
Prepaid rent expense	**9.855**	10.003
Intermediary services for collection (2)	**34.756**	24.403
Income accruals	**-**	4.068
Other non-current assets	**14.430**	19.940
	59.041	58.414

As of 31 December 2012 non-current income accruals include amounts related with equipment sales to subscribers under campaigns, which have not been invoiced yet and will be collected later than 1 year.

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

15. Other current and non-current assets (continued)

	31 December 2012	31 December 2011
Expense accruals (1)	**363.151**	371.839
Advances received (2)	**171.800**	170.744
Accrual for capital expenditures (3)	**112.306**	24.750
Accrual for Universal Service Fund (4)	**104.802**	108.492
Deferred revenue (5)	**79.854**	77.880
Accrual for contribution to the ICTA	**50.727**	44.172
Accrual for the Treasury Share	**49.151**	43.405
Other payables	**13.138**	15.526
	944.929	856.808

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

Other non-current liabilities

	31 December 2012	31 December 2011
Deferred Revenue (*)	**158.717**	165.356
Advances taken (**)	**77.565**	86.064
	236.282	251.420

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

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16. Financial investments

Cetel

	31 December 2012	31 December 2011
Balance at 1 January	**11.840**	11.840
31 December 2012 Balance	**11.840**	11.840

Cetel was incorporated as a special purpose entity for the purpose of acquiring the 76% shares of Albtecom Sh. A which is located in Albenia and operates in telecommunication industry.

As of 31 December 2012 and 2011, the Company carries Cetel at cost after deducting impairment losses, if any, because of the lack of timely financial information for equity accounting purposes and due to lack of significant influence.

17. Other financial investments and other financial liabilities

Cash flow hedges

Interest rate swaps

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

As of 28 September 2009, Avea has restructured its interest hedging transaction for the critical term match of the early payment as of 30 September 2009 which has replaced the current interest hedging transaction. As the Amended and Restated Transaction resulted in a change in the hedge structure the effect of the old hedge (which leads to significant negative fair value of the hedge as of inception date- 30 September 2009) and new hedge is separated and the effect of old hedge relating to outstanding borrowing after prepayment is followed up separately. The new hedge is found as effective as result of effectiveness test and effective fair value of the new hedge with an amount of TL 729 is continued to be recognized under other comprehensive income. The fair value of old hedge as of September 28, 2009, which being recognized under other comprehensive income, (US Dollar 31.8 million) will be amortized until 2015 which is the residual maturity of original hedge relationship. The unamortized portion of old hedge which is recognized under other comprehensive income amounts to TL 1.196.

As of 31 December 2012, notional amount that will be due till 30 September 2013 amounts to US Dollar 79.871 and Euro 9.148.

As of 31 December 2012, fair value of the interest rate swap transactions of Avea amount to TL 5.754 (2011 – TL 35.118). As of 31 December 2012, unrealized interest rate swap loss amounting to TL 1.926 (2011 – TL 16.451) has been recognized under equity reserves. For the year ended 31 December 2012, realized interest rate swap loss amounting to TL 28.059 (2011 – TL 50.255) and unrealized interest rate swap profit amounting to TL 14.839 (2011 – TL 8.482) has been reflected to consolidated income statements.

Accordingly the total unrealized loss recognized under other comprehensive income amounts to TL 1.926.

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

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

Cash flow hedges (continued)

Interest rate swaps (continued)

The Company has entered into a eight-part interest rate swap transaction between 11 April 2012 and 30 April 2012 with a maturity date on 21 March 2022 and a total notional amount of US Dollar 400.000, in order to hedge a portion of its variable rate long term bank borrowings. As of 31 December 2012, fair value of realized interest rate swap transactions amounts to TL 33,177 (2011 – None). The interest rate swaps are assessed to be effective hedges and a net change in fair value of interest rate swaps amounting to TL 33,177 as at 31 December 2012 has been recognized in other comprehensive income.

Company	Notional amounts (US Dollar)	Trade date	Maturity date	Terms	Fair value amount as at 31 December 2012 (TL)
Turk Telekom	**400,000**	**11 April 2012– 30 April 2012**	**19 March 20**	**Pay fixed rates and receive floating rates between March 2012 and March 2014**	**(2.029)**
Turk Telekom	**400,000**	**11 April 2012– 30 April 2012**	**21 March 2022**	**Pay fixed rates and receive floating rates between March 2014 and March 2022**	**(31.148)**
Avea	**91,940**	**28 September 2009**	**30 September 2013**	**Pay fixed rates, and receive floating rates, between 31 March 2009 and 30 September 2013**	**(5.754)**
Short term interest rate swaps					(5.754)
Long term interest rate swaps					(33.177)

Company	Notional Amounts (US Dollar)	Trade date	Maturity date	Terms	Fair value amount as at 31 December 2011 (TL)
Avea	361.180	28 September 2009	30 September 2013	Pay fixed rates and receive floating rates between 31 March 2009 and 30 September 2013	(35.118)
Short term interest rate swaps					(31.643)
Long term interest rate swaps					(3.475)

The Company has also entered into a eight-part cap transactions between 11 April 2012 and 30 April 2012 with a maturity date on 21 March 2022 and a total notional amount of US Dollar 400.000. As of 31 December 2012 fair value of derivative transactions amounting to TL 3.226 (2011 – 536) has been recognised under long term financial assets. Unrealised gain on these derivatives amounting to TL 3.266 (2011- TL 536) has been recognised in the consolidated income statement.

Hedge of net investment in a foreign operation

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

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18. Goodwill

The movement of the Group's goodwill is as follows:

31 December 2010	**52.873**
Currency translation effect	527
31 December 2011	**53.400**
Currency translation effect	(186)
Pantel goodwill impairment (-)	(4.042)
Sobee goodwill impairment (-)	(438)
31 December 2012	**48.734**

The Group performs impairment analysis for goodwill and other non-current asset groups as at 30th of November annually. The Group has performed impairment analysis for all of the identified cash generating units.

Türk Telekom and TTNet cash generating unit impairment analysis

For cash generating unit impairment analysis of Türk Telekom, total assets and liabilities are considered as one cash generating unit. Recoverable amount is calculated through value in use of the Company based on the 5 years business plan which is approved by the management.

The main assumptions used in the discounted cash flow in TL which was prepared based on the approved budgeted figures prepared until 2017 considers 12,5% discount rate and the weighted average cost of capital (WACC) sensitivity as 2%. For 2017-2026 period, TL cash flow estimations is not projected with consideration of inflation rate of business plan and expected growth rate of the country. As a result, the Group does not require any impairment allowance.

Avea cash generating unit impairment test

The goodwill impairment test has been performed as of 31 December 2012, based on the present value study. All assets and liabilities have been accepted as one cash generating unit for the impairment testing of the TL 29.695 goodwill arising from the acquisition of Avea shares. Recoverable amount is calculated through 5 years business plan which is approved by the management.

Discount rate used for the discount of cash flows for the period that Avea will pay income tax is 13,7% and 14,7% for non-taxable period. Cash flow beyond the ten years are extrapolated using a negative growth rate between 1-4% for TL denominated cash flow projections that is driven by the estimated inflation in the business plan and estimated population growth of the country. Enterprise value of Avea has been tested at a sensitivity of WACC -/+ 2%. As a result of the impairment testing, it has been noted that there is no impairment on goodwill arising on the Avea acquisition. The value in use projections are based on a discounted cash flow (DCF) study implemented until 2029

18. Goodwill (continued)

Innova and Argela cash generating unit impairment test

As of 31 December 2012 the goodwill arising from acquisition of Innova and Argela amounted TL 11.097 and TL 7.943, recoverable amount was determined through the value in use which had been calculated based on the 5 years business plan approved by the management. The estimated value of the projected cash flows consists of the discounted cash flows until 2017. The WACC rates used in valuation are 18,1% and 17,9% for Innova and Argela, respectively and valuation has been tested at a sensitivity of -/+ 2%. For the WACC calculation, technology companies have been taken as a benchmark for the calculation of the beta coefficient. As a result o the impairment test, no impairment is noted for the cash generating unit and the goodwill arising from the acquisition of Argela and Innova.

Sobee cash generating unit impairment test

As of 31 December 2012 the goodwill arising from acquisition of Sobee amounts to TL 438, recoverable amount was determined through the value in use which had been calculated based on the 5 years business plan approved by the management. The estimated value of the projected cash flows consists of the discounted cash flows until 2017. The WACC rate used in valuation is 18,9% and valuation has been tested at a sensitivity of -/+ 2%. For the WACC calculation, technology companies have been taken as a benchmark for the calculation of the beta coefficient. As a result of the impairment test, a provision amounting to TL 7.616 that is comprised of TL 438 impairment on goodwill from acquisition of Sobee, TL 295 impairment on property plant and equipment and TL 6.883 impairment on intangible assets have been reflected to the consolidated financial statements.

Pantel cash generating unit impairment test

As of 31 December 2012 the goodwill arising from acquisition of Pantel before impairment amounts to Euro 1.514, recoverable amount was determined through the value in use which had been calculated based on the 5 years business plan approved by the management. The estimated value of the projected cash flows consists of the discounted cash flows until 2017. The WACC rate used in valuation is 8% and valuation has been tested at a sensitivity of -/+ 0,25%. For the WACC calculation, technology companies have been taken as a benchmark for the calculation of the beta coefficient. As a result of the impairment test, a provision amounting to TL 7.217 that is composing of TL 4.042 goodwill from acquisition of Pantel and TL 3.175 from property plant and equipment is provided.

Sebit cash generating unit impairment test

In cash generating unit impairment analysis for Sebit, total assets and liabilities were considered as one cash generating unit. Recoverable amount was determined through the usage value which had been calculated based on the 5 years business plan approved by the management. The discount ratio used for the cash flows is 17%. The estimated value of the cash flows consists of the ones which were discounted until 2017. The growth rate for the current and subsequent terms was foreseen as %2 by considering the inflation rate stated in cash flow estimations business plan and the estimated growth rate of the country. Cash generating unit value was tested with 2% AOSM sensivity of the cash flows. As a result of impairment analysis, it has not been determined any impairment in cash generating unit values.

19. Non-current asset Held For Sale

On 30 April 2012, Board of Directors of the Company decided to derecognize 69 pieces of real estate. Selling activities still continues for these assets which are expected to be sold within a year. (31 December 2012 – TL 21.945)

There is no impairment reflected for these assets as the proceeds from the sales is expected to exceed the carrying value of these assets. Depreciation of the buildings are ceased when they are classified to asset held for sale account.

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20. Investment property

The movement of investment property and the related accumulated depreciation for the years ended 31 December 2012 and 2011 is given below:

	1 January- 31 December 2012	1 January- 31 December 2011
Cost		
Opening balance	**384.481**	384.481
Transfer to land and buildings	**(329.093)**	-
Transfer to assets held for sale	**(14.233)**	-
31 December closing balance	**41.155**	384.481
Accumulated depreciation		
Opening	**126.880**	110.245
Transfer to land and buildings	**(113.043)**	-
Transfer to assets held for sale	**(10.797)**	-
Depreciation charge for the year	**7.485**	16.635
31 December closing balance	**10.525**	126.880
Carrying amount as at 31 December	**30.630**	257.601

Investment property consists of number of buildings and lands mainly occupied by various corporations.

The Group assesses whether there is any impairment indicator in investment properties. If such indicator exists the Group compares fair values and carrying values of the investment properties on an individual asset basis and records identified impairment on the investment properties. As of 31 December 2012 and 2011, the Group has assessed whether there is any indicator that leads impairment on investment property and based on the test performed it is concluded that impairment is not noted.

The Group's investment properties consist of number of buildings and lands. In accordance with balance between cost and benefit principle the fair values of all investment properties are not determined in each year, instead selected investment properties' fair values have been determined. In this context, fair values of the investment properties as of consolidated balance sheet date are not presented.

The Group decided to disclose land and buildings which significant portion of total area is rented as investment property. As at 31 December 2012, investment property with net book value of TL 216.050 and TL 3.436 are reclassified to land and buildings and asset held for sale, respectively.

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

21. Property, plant and equipment (PPE)

The movement of PPE and the related accumulated depreciation for the years ended 31 December 2012 and 2011 is given below:

	Land and buildings	Network and other equipment	Vehicles	Furniture and fixtures	Other fixed assets	Construction in progress	Total
Cost							
Opening balance, 1 January 2012	1.746.694	37.247.919	157.729	383.634	272.281	752.185	40.560.442
Transfers	329.093	550.382	741	18.350	1.108	(601.554)	298.120
Additions	33.514	798.956	2.827	55.583	47.414	535.159	1.473.453
Disposals	(10.961)	(674.981)	(10.482)	(4.736)	(9.022)	(2.546)	(712.728)
Currency translation difference	(253)	(12.113)	(71)	(49)	(29)	(330)	(12.845)
Closing balance, 31 December 2012	2.098.087	37.910.163	150.744	452.782	311.752	682.914	41.606.442
Opening balance, 1 January 2012	637.785	31.438.053	137.551	227.961	220.269	-	32.661.619
Disposals	(2.572)	(636.978)	(8.228)	(4.447)	(6.113)	-	(658.338)
Depreciation charge for the year	89.819	974.939	6.873	71.303	19.834	-	1.162.768
Impairment	-	10.941	-	295	-	-	11.236
Transfers	113.043	5.696	(2.671)	(1.320)	(987)	-	113.761
Currency translation difference	(1)	(627)	(2)	134	10	-	(486)
Closing balance, 31 December 2012	838.074	31.792.024	133.523	293.926	233.013	-	33.290.560
Carrying amount at 31 December 2012	1.260.013	6.118.139	17.221	158.856	78.739	682.914	8.315.882

As of 31 December 2012, net book value of leased assets of Group composes of TL 42.575 land and building and TL 658 network and other equipment (2011: TL 43.809 and building, TL 952 network and other equipment). As disclosed in Note 7, there is a commercial enterprise pledge on all the movable assets of Aria (except for the movables of Aycell). The commercial enterprise pledge secures the Senior Secured Financial Indebtless commercial of Avea up to a maximum amount of TL 1.000.000.

The Group does not have any capitalized borrowing cost (2011 – None)

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21. Property, plant and equipment (PPE) (continued)

	Land and buildings	Network and other equipment	Vehicles	Furniture and fixtures	Other fixed assets	Construction in progress	Total
Cost							
Opening balance, 1 January 2011	1.724.139	35.939.393	156.694	308.724	234.901	438.580	38.802.431
Transfers	(829)	3.512	(12)	697	822	(11.517)	(7.327)
Additions	67.477	1.347.044	6.365	77.113	42.854	324.681	1.865.534
Disposals	(45.112)	(91.139)	(5.441)	(2.944)	(6.302)	-	(150.938)
Currency translation difference	1.019	49.109	123	44	6	441	50.742
Closing balance, 31 December 2011	1.746.694	37.247.919	157.729	383.634	272.281	752.185	40.560.442
Opening balance, 1 January 2011	573.825	30.548.718	135.079	180.825	202.922	-	31.641.369
Disposals	(13.965)	(70.770)	(4.655)	(929)	(3.388)	-	(93.707)
Depreciation charge for the year	77.807	958.851	7.254	54.177	14.514	-	1.112.603
Transfers	157	(348)	-	(6.055)	6.246	-	-
Currency translation difference	(39)	1.602	(127)	(57)	(25)	-	1.354
Closing balance, 31 December 2011	637.785	31.438.053	137.551	227.961	220.269	-	32.661.619
Carrying amount at 31 December 2011	1.108.909	5.809.866	20.178	155.673	52.012	752.185	7.898.823

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22. Intangible assets

	Licence	Customer relationships	Brand	Other intangible assets	Concession rights	Total
Cost						
Opening balance, 1 January 2012	**1.478.145**	**1.002.252**	**302.540**	**1.608.356**	**1.121.291**	**5.512.584**
Transfers	**-**	**-**	**-**	**14.124**	**-**	**14.124**
Disposals	**-**	**-**	**-**	**(6.275)**	**-**	**(6.275)**
Additions (*)	**-**	**-**	**-**	**455.510**	**571.973**	**1.027.483**
Currency translation difference	**(12)**	**(3.513)**	**-**	**(4.628)**	**-**	**(8.153)**
Closing balance, 31 December 2012	**1.478.133**	**998.739**	**302.540**	**2.067.087**	**1.693.264**	**6.539.763**
Accumulated amortization						
Opening balance, 1 January 2012	**334.521**	**474.057**	**82.586**	**880.177**	**201.329**	**1.972.670**
Disposals	**-**	**-**	**-**	**(1.312)**	**-**	**(1.312)**
Transfers	**-**	**124**	**-**	**929**	**-**	**1.053**
Amortization charge for the year	**74.742**	**93.967**	**15.607**	**259.404**	**63.490**	**507.210**
Impairment	**6.883**	**3.175**	**-**	**-**	**-**	**10.057**
Currency translation difference	**(1)**	**(174)**	**-**	**9**	**-**	**(165)**
Closing balance, 31 December 2012	**416.145**	**571.149**	**98.193**	**1.139.207**	**264.819**	**2.489.513**
Carrying amount at 31 December 2012	**1.061.988**	**427.590**	**204.347**	**927.880**	**1.428.445**	**4.050.250**

	Licence	Customer relationships	Brand	Other intangible assets	Concession rights	Total
Cost						
Opening balance, 1 January 2011	1.477.929	987.892	302.540	1.284.675	980.994	5.034.030
Transfers	203	-	-	14.296	-	14.499
Disposals	-	-	-	(938)	-	(938)
Additions (*)	-	-	-	287.895	140.297	428.192
Currency translation difference	13	14.360	-	22.428	-	36.801
Closing balance, 31 December 2011	1.478.145	1.002.252	302.540	1.608.356	1.121.291	5.512.584
Accumulated amortization						
Opening balance, 1 January 2011	258.382	378.106	66.979	662.761	151.014	1.517.242
Disposals	-	-	-	(565)	-	(565)
Transfers	-	-	-	2.362	-	2.362
Amortization charge for the year	76.152	95.380	15.607	214.735	50.315	452.189
Currency translation difference	(13)	571	-	884	-	1.442
Closing balance, 31 December 2011	334.521	474.057	82.586	880.177	201.329	1.972.670
Carrying amount at 31 December 2011	1.143.624	528.195	219.954	728.179	919.962	3.539.914

(*) Additions amounting to TL 571.973 (2011 – TL 140.297) are comprised of intangible assets under scope of IFRIC 12.

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22. Intangible assets (continued)

As of 31 December 2011, the Group performed impairment test on intangible assets and it has been concluded that there is no impairment. However the Group identified an impairment loss of TL 10.057 in its intangible assets as of 31 December 2012 (Note 18).

Remaining amortization periods of significant intangible assets are as follows:

Avea License	13,1 years
Avea customer relationships	3,8 year
Avea brand name	13,1 years
Pantel customer relationships	12,8 years
Pantel other	17,8 years

There is no restriction or pledge on the intangible assets except for the Avea brand as at 31 December 2012.

3G License Tender

The tender for authorization of IMT-2000 / UMTS services has been held on 28 November 2008 with the participation of all three GSM operators operating in Turkey.

On 3 December 2008, following the approval of the ICTA, a draft Concession Agreement has been initiated by Avea and ICTA and delivered to the Council of State to receive its opinions. Subsequent to receiving the opinion of the Council of State, the Concession Agreement is amended accordingly and approved by ICTA. The license fee (including 18% VAT) amounting to TL 539.332 has been paid by Avea in April 2009 and ultimately the Concession Agreement has been signed on 30 April 2009.

The net book value of the 3G license as at 31 December 2012 is TL 391.408 (2011 – TL 415.131).

GSM 900 Additional Frequency Band Tender

The tender for the reallocation of unused 900 MHz Frequency Bands had been held on 20 June 2008 and Avea had obtained C band with the minimum fee of TL 128 year /channel (excluding VAT).

Avea had been granted 5,5 additional GSM 900 MHz frequency channels as a result of the tender and ultimately total number of GSM 900 MHz frequency channels has reached to 12 together with previously-held 6,5 channels.

After receiving State Council's opinions and approval of the board of ICTA, Avea made TL 14.122 (including VAT) payment as the tender fee for the remaining GSM license duration and amended license agreement has been signed between Avea and ICTA on 25 February 2009.

The net book value of the GSM 900 band license as at 31 December 2012 is TL 9.256 (2011 – TL 9.964).

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

23. Provisions

a) Short term provisions

The breakdown of provisions as at 31 December 2012 and 2011 is as follows:

	31 December 2012	31 December 2011
Litigation provision	**189.207**	155.670
Unused vacation	**91.434**	84.256
	280.641	239.926

The movement of provisions is as follows:

	Litigation provision	**Unused vacation provision**	**Other**
Provisions at 1 January 2012	**155.670**	**84.256**	**-**
Settled provisions	**(36.326)**	**(4.940)**	**-**
Provision for the period	**96.025**	**19.450**	**-**
Reversals	**(26.120)**	**(7.299)**	**-**
Foreign currency translation difference	**(42)**	**(33)**	**-**
Provisions at 31 December 2012	**189.207**	**91.434**	**-**

	Litigation provision	Unused vacation provision	Other
Provisions at 1 January 2011	210.065	72.271	60
Settled provisions	(23.636)	(3.558)	-
Provision for the period	14.534	21.211	-
Reversals	(45.670)	(5.806)	(60)
Foreign currency translation difference	377	138	-
Provisions at 31 December 2011	155.670	84.256	-

Detailed information regarding lawsuit provisions is provided in Note 26.

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

23. Provisions (continued)

b) Long term provisions

	31 December 2012	31 December 2011
Provision for the investments under the scope of IFRIC 12	**8.783**	11.518
	8.783	11.518

c) Long-term employee benefits

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

The retirement pay liability as at 31 December 2012 is subject to a ceiling of full TL 3.033,98 (2011 – full TL 2.731,85) per monthly salary for each service year. Effective from 1 January 2013, retirement pay liability ceiling has increased to TL 3.129,25.

The number of personnel as at 31 December 2012 and 2011 were 37.524 and 34.886, respectively.

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

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

23. Provisions (continued)

c) Long-term employee benefits (continued)

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

	1 January - 31 December 2012	1 January - 31 December 2011
Defined benefit obligation at January 1	**570.298**	622.859
Current service cost	**37.281**	33.530
Interest cost	**48.346**	58.680
Actuarial (loss) / gain (*)	**109.173**	63.541
Benefits paid by the group	**(15.940)**	(208.269)
Transfers - net (employees transferred to state enterprises) (Note 30)	**349**	-
Foreign currency translation difference	**(18)**	(43)
Liabilities as at 31 December	**749.489**	570.298

(*) As at 31 December 2012, actuarial loss amounting to TL 109.173 (2011–TL 63.541) has been reflected to other comprehensive income.

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

	31 December 2012	31 December 2011
Present value of defined benefit obligations	**749.489**	570.298
Unrecognized past service cost	**-**	(7.703)
Net liability recorded in the balance sheet	**749.489**	562.595

iii) Total expense recognized in the consolidated income statement:

	1 January - 31 December 2012	1 January - 31 December 2011
Current service cost	**37.281**	33.530
Interest cost	**48.346**	58.680
Past service cost	**7.703**	8.550
Total net cost recognized in the consolidated statement of income	**93.330**	100.760
Settlement gain recognized (Note 29)	**349**	-
Total net income recognized in the consolidated statement of income	**349**	-

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

23. Provisions (continued)

c) Long-term employee benefits (continued)

iv) Principal actuarial assumptions use:

	31 December 2012	31 December 2011
Discount rate	% 8.5	10%
Expected rate of ceiling increases	% 5.0	5.1 %

The voluntary withdrawal rate for the next years for the Group's remaining employees is estimated to change between 0,66% and 7,08% (2011 - 3%).

24. Paid in capital, reserves and retained earnings / (accumulated deficit)

As of 31 December 2012 and 2011, the shareholders of the Company with their shareholding percentage are as follows:

	31 December 2012		31 December 2011	
	%	**TL**	%	TL
The Treasury	**30**	**1.050.000**	30	1.050.000
OTAŞ	**55**	**1.925.000**	55	1.925.000
Public share	**15**	**525.000**	15	525.000
		3.500.000		3.500.000
Inflation adjustment to share capital		**(239.752)**		(239.752)
		3.260.248		3.260.248

The Company's share capital is fully paid and consists of 350.000.000.000 shares of 1 kuruş nominal value. OTAS is the holder of Group A shares and the Treasury is the holder of Group B and C and partial D shares. Group C share consists only of a single preferred stock.

The Treasury is the holder of the preferred stock (Golden Share) as per the law. This share is non-transferable. It provides certain rights to Treasury in order to protect national interests regarding economy and security. The holder of the Golden Share has the right to approve any proposed amendments to the Company articles of association, the transfer of any registered shares in the Company which would result in a change in the management control of the Company and the registration of any transfer of registered shares in the Company's shareholders' ledger. The holder of the Golden Share, the Treasury, has one member, representing the Golden Share, among the Board of Directors.

As of 31 December 2012, Citicorp Trustee Company Limited has a pledge over 192.500.000.000 Group A shares belonging to OTAŞ which represent 55% of the total company shares.

Shares were pledged to Citicorp Trustee for the term loan agreement between OTAŞ and Citicorp Trustee. The OTAŞ Term Loan agreement provides certain limitations with respect to dilution, sale and transfer of shares in OTAŞ, the Company and Avea.

24. Paid in capital, reserves and retained earnings / (accumulated deficit) (continued)

Based on the articles of association of the Company, the board of the directors of the Company shall consist of 12 directors.

The board of directors shall be composed of 12 members nominated by the Shareholders as follows:

(a) The Group A Shareholder shall be entitled to nominate 7 persons for election as Directors;
(b) provided that the Treasury as Group B Shareholder shall hold:
- 30% or more of the shares, the Treasury shall be entitled to nominate 4 persons for election as Independent Board Members who carry the independence criteria as defined in the Capital Market legislation; or
- 15% or more of the Shares (but less than 30% of the Shares) the Treasury shall be entitled to nominate 2 persons for election as Independent Board Members who carry the independence criteria as defined in the Capital Markets legislation;
- During the calculation of 15 % and 30 % of the Shares mentioned in above paragraphs, the amount of Group B Shares and Group D Shares held by the Treasury shall be taken into account together.

(c) as long as the Treasury holds 15% or more of the shares (but less than 30% of the shares), the Group A shareholder shall be entitled to nominate 2 persons, who carry the independence criteria as defined in the Capital Markets legislation, for election as Independent Board Members and 7 persons for election as Director.
(d) while the Treasury holds the C Group Privileged Share, the Treasury shall be entitled to nominate a further 1 person for election as director for the C Group Privileged Share.

The chairman of the board of directors shall be nominated by the directors nominated by the Group A shares from among the directors and be elected and removed by the simple majority votes of those present at the meeting of the board of directors.

Board resolutions shall be passed by a simple majority of the votes of the directors present at such meeting unless the resolution requires a higher majority vote.

The board of directors shall propose the distribution of the maximum of the Company's profits lawfully available for distribution in each financial year subject to the board of directors making reasonable provisions and transfers to reserves. Provided that it is not against the legislation regarding capital markets, the net profit may not be distributed, if:

a) the distribution would result in a breach of any covenant or undertaking given by any group company (group companies are defined in the articles of association) to any lender or would, in the opinion of the simple majority of those present at the relevant meeting of the board of directors, be likely to cause such breach within the following 12 months; or

b) the board of directors resolves by way of a simple majority of those present at the relevant meeting of the board that the distribution is materially prejudicial to the interests of any group company defined in the articles of association having regard to: (i) implementation of the investment program approved by the board of directors in the business plan or the budget; or (ii) the trading prospects of the group companies defined in the articles of association and the need to maintain the sound financial standing of the group companies.

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

24. Paid in capital, reserves and retained earnings / (accumulated deficit) (continued)

In accordance with the Turkish Commercial Code, companies are required to assign legal reserves before profit appropriations. The legal reserve consists of first and second legal reserves, allocated in accordance with the Turkish Commercial Code. The first legal reserve is allocated out of last period's statutory profits at the rate of 5% per annum until the total reserve reaches 1/5 of the paid-in share capital (not indexed to the inflation). The second legal reserve is allocated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. The Company's 2012 consolidated net income has been compared with its 2012 statutory net income and after appropriation of first legal reserve, TL 2.637.107 was determined as an amount available for dividend distribution.

Dividends

During the year ended 31 December 2012, remaining balance of 2011 distributable profit after assigning first and second legal reserves, which amounted to TL 1.896.525 (a dividend of full kuruş 0,5419 per share) has been committed to be distributed and distributed in cash to the shareholders.

During the year ended 31 December 2011, remaining balance of 2010 distributable profit after assigning first and second legal reserves, which amounted to TL 2.243.961 (a dividend of full kuruş 0,6411 per share) has been committed to be distributed and distributed in cash to the shareholders.

Other reserves

The amounts transferred directly to equity, instead of income statement as of the balance sheet date are as follows:

	31 December 2012	31 December 2011
Minority put option liability reserve (Note 11)	**(180.715)**	(779.383)
Share based payment reserve (Note 24)	**9.528**	9.528
Difference arising from acquisition of subsidiary	**(858.134)**	(308.634)
Reserve for hedge of net investment in a foreign operation	**(29.648)**	(37.976)
Cash flow hedge reserve	**(28.275)**	(13.386)
Actuarial loss arising from employee (Note 22)	**(340.679)**	(252.745)
	(1.427.923)	(1.382.596)

Difference arising from acquisition of subsidiary

The acquisition of Avea shares has been effected through four steps in different years (40% in February 2004 through the merger of Aycell with Aria, 0,56% through an equity increase in May 2005 and finally 40,56% through the acquisition of İş TIM shares on 15 September 2006. Therefore, during the accounting of the latest acquisition of 40,56% shares on 15 September 2006, the first two acquisitions comprising a total shareholding of 40,56%, which have been accounted for using the equity method in the financial statements prior to 15 September 2006 have been re-measured to their fair values based on the fair value financial statements of Avea prepared as of 15 September 2006 for the purpose of the purchase price allocation based on IFRS 3. The result of the re-measurement amounting to TL 294.065 has been reflected as "difference arising from change in shareholding rate in a subsidiary" in equity. In 2009 and 2012, the Company has increased its ownership within Avea with a rate of 0,19% and 8,87% and the difference in minority interest, TL 14.569 and TL 549.500, has been reflected under difference arising from change in shareholding rate in subsidiary" in equity.

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

24. Paid in capital, reserves and retained earnings / (accumulated deficit) (continued)

Reserve for hedge of net investment in a foreign operation

The Company recognises the differences arising on the translation of monetary items that are associated with the hedge of net investment in a foreign operation in other comprehensive income. (Note 17)

Cash flow hedge reserve

The Group entered into interest rate swaps in order to hedge it position against changes in interest rates. Accordingly, effective portion of the fair value changes of these instruments are recognised directly in equity at cash flow hedge reserve. (Note 17)

Minority interest

The minority interest represents 10,01% shareholding of İş Bank Group in Avea as at 31 December 2012. As of 31 December 2012, minority interests are classified to other non-current liabilities and are remeasured at fair values based on the Group's accounting policy applied during the accounting of minority put option. The movement of minority interest is as follows:

As of 31 December 2010	-
Reclassification to minority interest	(56.954)
Share of loss generated between 1 January 2011 and 31 December 2011	(169.150)
Minority share in unrealized gain on derivative financial instruments recognized ur	5.358
Minority share in actuarial gain / (loss) recognized under equity	(387)
Reclassification to other non-current liabilities (Note 11)	221.133
As of 31 December 2011	-
Reclassification to minority interest	(221.133)
Share of loss generated between 1 January 2012 and 31 December 2012	(43.977)
Minority share in unrealized gain on derivative financial instruments recognized ur	1.987
Minority share in actuarial gain / (loss) recognized under equity	(500)
Difference due to the change in shareholding rate in a subsidiary	550.468
Reclassification to other non-current liabilities (Note 11)	(286.845)
As of 31 December 2012	-

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

24. Paid in capital, reserves and retained earnings / (accumulated deficit) (continued)

The calculation of the basic earnings per share attributable to the ordinary equity holders of the Company is as follows:

	1 January- 31 December 2012	1 January- 31 December 2011
Weighted average number of ordinary shares outstanding during the year	**350.000.000.000**	350.000.000.000
Net profit for the year attributable to equity holders of the Company	**2.637.107**	2.068.676
Basic and earnings per share (in full kuruş)	**0,7535**	0,5911

25. Share based payment

According to the Turkish Council of Ministers decision dated 12 December 2007, which was published in the Turkish Official Gazette on 26 December 2007, 52.500.000.000 (45%) shares of Türk Telekom owned by the Treasury, the minority shareholder of Türk Telekom, has been sold as at 15 May 2008, through an initial public offering ("IPO") (such shares correspondence to corresponding to 15% Türk Telekom's shares). During the IPO, 12.299.160.300 of such shares have been allocated to the employees of Türk Telekom, PTT and small investors together with 5.220.503.800 shares allocated to domestic investors with high purchasing power with discounted price varying according to the payment terms and application date (compared to the price applied to the other corporate investors for the remaining shares of 34.980.335.900. The discounts provided to Türk Telekom employees have been considered as within the scope of IFRS 2 ("Share Based Payment") by the management of Türk Telekom considering the fact that Türk Telekom receives services from its employees. The Group has reflected the fair value of the discounts provided to Türk Telekom employees, amounting to TL 9.528, as an expense in the consolidated income statement for year ended 31 December 2008 and credited the same amount into the equity as a share based payment reserve.

The market price during the IPO	TL 4,60
The average price applied to the employees of Türk Telekom	TL 4,2937
The number of shares sold to Türk Telekom's employees (lot)	31.104.948
Total benefits provided to the employees	TL 9.528

The management of Türk Telekom decided that the discounts provided to PTT's employees, small investors and domestic investors with high purchasing power are not within the scope of IFRS 2 by considering the fact that

a) Türk Telekom has not received any benefits (goods and services) in exchange for the discounts provided these groups to and
(b) the Treasury provided these discounts not as a party acting as a shareholder of Türk Telekom but rather as a State Authority in order to increase the number of small investors as it has been done in all other privatization enhanced through an IPO.

The fair value of the discounts provided to these groups amounts to approximately TL 34.000 in 2008, at the year of the transaction.

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

26. Commitments and contingencies

Guarantees received and given by the Group are summarized below:

		31 December 2012		31 December 2011	
		Original currency	**TL**	Original currency	TL
Guarantees received	**USD**	**276.378**	**492.671**	230.191	434.808
	TL	**718.981**	**718.981**	707.501	707.501
	Euro	**92.155**	**216.721**	85.316	208.495
	Sterling	**8**	**23**	8	23
			1.428.396		1.350.827
Guarantees given (*)	**USD**	**160.402**	**285.933**	153.539	290.020
	TL	**171.901**	**171.901**	187.042	187.042
	Euro	**121.324**	**285.318**	16.429	40.149
	Other	**-**	**-**	115	65
Total			**743.152**		517.276

(*) US Dollar 151.500 of the amount (2011–US Dollar 151.500) is related with the guarantee provided to the ICTA by Avea with respect to the Avea Concession Agreement and Euro 12.840 is related with the guarantee provided for 3G (2011 – Euro 12.840) license.

The Company's guarantee, pledge and mortgage (GPM) position as at 31 December 2012 and 2011 is as follows:

GPMs given by the Company	**31 December 2012**	31 December 2011
A.GPMs given on behalf of the Company's legal personality	**2.324.106**	2.055.556
B.GPMs given in favor of subsidiaries included in full consolidation	**1.535.164**	1.624.730
C.GPMs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	**-**	5.646
D.Other GPMs	**18.814**	19.550
i. GPMs given in favor of parent company	**-**	-
ii. GPMs given in favor of Company companies not in the scope of B and C above	**18.814**	19.550
iii. GPMs given in favor of third party companies not in the scope of C above	**-**	-
	3.878.084	3.705.482

26. Commitments and contingencies (continued)

GPMs given by the Group as at 31 December 2012 are equivalent to 0,29% of the Company's equity (31 December 2011 – 0,34%).

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

Other commitments

The Group has purchase commitments for sponsorships and advertising services at the amount of 110.183 US Dollar and TL 4.250, equivalent to TL 200.663 (31 December 2011 – TL 202.469) as at 31 December 2012. Payments for these commitments are going to be made in a 9 - year period.

Türk Telekom concession agreement

The Concession Agreement was entered into between the Company and ICTA on 14 November 2005 following the privatization of the Company and the resultant reduction in the public shareholding to less than 50%. The Concession Agreement covers:

- the provision of all kinds of telecommunications services;
- the establishment of necessary telecommunications facilities and the submission of these facilities to the use of other operators;
- the marketing and supply of telecommunications services.

The Concession Agreement places an obligation on the Company, in the event of expiry, non-renewal or termination of the Concession Agreement, to transfer all equipment affecting the operation of the telecommunications network, together with all immovable properties where such equipment is installed, to the ICTA, at no cost, and in good condition.

The ICTA may terminate the Concession Agreement following a court decision on bankruptcy against the Company (or a declaration of concordat by the Group) or an unremedied breach of obligations. However, the Company must be given a grace period of at least 90 days in order to remedy any breach. Within any such grace period granted by the ICTA, the Company must submit to the ICTA a recovery program with respect to its contractual obligations. It is only if this program is not accepted by the ICTA that the ICTA then has the right to terminate the Concession Agreement.

The Concession Agreement places also a number of general obligations on the Company in relation to the provision of telecommunications services.

26. Commitments and contingencies (continued)

Türk Telekom concession agreement (continued)

In relation to fees, the Concession Agreement requires the Company to meet all payments accrued as a result of applicable legislation or agreements with the Government of the Republic of Turkey. This specifically includes license and utilization fees for the use of radio frequencies. In addition, the Company is required to pay the ICTA 0,35% of its annual revenue, as a contribution towards the ICTA's expenses.

Under the Concession Agreement, the Company must comply with requests from other operators for access and/or interconnection without discrimination and to the extent technically possible. The Company is further required to publish a reference access and interconnection offer approved by the ICTA. The Concession Agreement also contains an obligation on the Company to provide services in compliance with any regulations made by the ICTA in accordance with the law on the Provision of Universal Services. According to the relevant legislation, the Company must pay an annual fee of 1% of revenues for the Universal Service Fund.

The tariffs to be charged by the Company must be calculated on a cost-orientated basis, without discrimination, and are subject to the approval of the ICTA unless expressly provided to the contrary in any regulation issued by the ICTA. The specific content of customer bills is governed by regulation. However, the cost of each service provided to a customer must be identified and a detailed bill must be sent to the customer on request, to the extent technically possible and subject to the payment of a fee.

Other provisions of the Concession Agreement provide for the confidentiality of communications and the establishment of effective methods to answer customer complaints.

Avea concession agreement

A concession agreement was entered into between Avea and the ICTA ("the Avea Concession Agreement") on 12 January 2005 which replaced and superseded the previous GSM 1800 license agreements in place in relation to Aycell and Aria. After GSM 900 Frequency Band bidding done by ICTA on June 20, 2008, agreement was rearranged.

The Avea concession agreement covers the establishment, development and operation of a GSM 1800 network and delivery of the system to the Authority or the establishment to be designated by the Authority at the end of the contracted term as being in an operating condition.

Pursuant to the Avea Concession Agreement, Avea was granted to use 75 channels in the 1800 MHz band and 12 channels in the 900 MHz band. The term of the Avea Concession Agreement is 25 years from 11 January 2001.

Avea may apply to the ICTA for renewal between dates 24 and 6 months before the end of Avea Concession Agreement. ICTA may renew the license of Avea by evaluating the renewal request according to legislation on that date.

In the event of expiry or non-renewal, Avea is under an obligation to transfer the network management centre, being the central operation units of the GSM 1800 system, gateway switchboards and central subscription works systems (including all kinds of technical hardware), together with all equipment affecting the operation of the system and the immovable properties used by Avea to the ICTA or to the establishment to be designated by ICTA at no cost.

26. Commitments and contingencies (continued)

Avea concession agreement (continued)

Avea is also committed to renew the network in line with technological improvements and international agreements and maintain the adequacy of the network by means of technology until the end of the agreement.

License fees were paid prior to the issuance of the concession agreement.

Avea provided a performance bond in the amount of US Dollar 151.500. Avea, additional to that bond, provided performance bond amounting TL 760.320 corresponding to 6% of bidding amount after GSM 900 Additional Frequency Band bidding by ICTA on 20 June 2008.Should the operator is understood to not perform its contractual obligations, the Authority shall record and confiscate the final guarantee as income.

The Avea Concession Agreement provides that the license may be transferred with the approval of the ICTA and within the terms of the Authorization Ordinance. However, no transfer may be made to an entity which already has a GSM 900 or GSM 1800 license in Turkey, or to related parties of such an entity, to the companies or subsidiaries which is owned or managed somehow by shareholders of entity or to the management of such entity and their first and second blood relatives and relative affinities. In cases such issues are determinate; GSM 1800 license given to them by ICTA is cancelled.

Regarding transfer of shares regulation clauses at the date of the transaction will be applied. The approval of the Competition Authority is also required for any change of control, being a transfer of the shares.

Fund payable to the Treasury

Avea will pay an amount equal to 15% of the gross sales on a monthly basis to the Treasury, except for the default interest imposed on their subscribers for their late payments, indirect taxes, financial obligations such as charges and fees, and the accrual amounts accounted for reporting purposes

Contribution share to the ICTA

Avea shall pay 0,35% of the gross sales to the ICTA as contribution share to the ICTA's expenses, latest on the last working day of April of the following year.

Coverage area

Avea has guaranteed and undertook to cover (up to 2 Watt outdoors) at least 50% of the population of Turkey within three years after 11 January 2001 and at least 90% of the population of Turkey within five years after 11 January 2001. However, the localities where there are less than 10.000 inhabitants shall not be taken into consideration. This coverage area refers to the area to be covered by Avea alone, and will not be contributed by national roaming. Upon request of the ICTA, yearly utmost two settling areas shall be covered with priority by Avea.

Avea has completed its related liabilities with respect to coverage at 31 December 2004.

Service offerings

Avea agrees and undertakes to provide the services specified within the frame of GSM memorandum of understanding applied by GSM association including, but not limited to the services specified by GSM license agreement (call forwarding, barring of outgoing and incoming calls, technical assistance for subscribers and free call forwarding to police and other public emergency services).

26. Commitments and contingencies (continued)

Avea concession agreement (continued)

Service quality

Avea will comply with the telephone service quality standards set down in the International Telecommunication Union ("ITU-T") recommendations in the GSM 1800 international standards. These standards require blocking rate of the licensed network to be 5% and the call failure rate not to be more than 2%.

Tariffs

Avea may freely determine its tariffs provided that these tariffs are not contrary to the regulations of the ICTA.

Emergencies

Avea will take the necessary measures with priority in order to satisfy the requirements and the needs of subscribers and users in emergencies, provided that the public authorities and enterprises will have priority in the case of health and security emergencies or fire and other disasters. Avea has to provide at least two base stations for the use of Ministry of Transportation in emergency.

Investment plans

Pursuant to the relevant regulation, by the first day of September every year, Avea will present its investment plan for the following calendar years to the ICTA. These plans will be valid for 3 years and will contain information about the dynamic demand forecasts, and number and locations of the exchange stations, base stations and base control stations to be established, the period of operation, and the investment costs. Within 120 days of receipt of the investment plan, the ICTA will approve the compliance of plans to the article 6^{th} of the agreement. Investment plan will be presented so as to inform the ICTA after the requirements arising from the article 6^{th} of the agreement are met.

National roaming

Avea may enter into contracts with other licensed GSM networks in Turkey for national roaming purposes. Roaming contracts and the financial clause of the contracts has to be presented to ICTA before signature procedures completed.

Suspension of operations

If deemed necessary for public security and national defense in case of war, general mobilization, etc. the Authority may temporarily or permanently suspend all or a part of the operational activities of Avea and may directly operate the network. The period of suspension as above will be added to the term of the license and the income of such a period, if any, will belong to Avea.

26. Commitments and contingencies (continued)

Avea License agreement (continued)

Termination of the agreement by the ICTA

The ICTA may cancel the license or terminate the Agreement for the following reasons;

i) A final judgment of the competent courts for insolvency of Avea or its composition with creditors,
ii) Failure of Avea to perform its contractual obligations hereunder and to remedy its default in a reasonable period of time granted,
ii) Determination that Avea extends its activities beyond the frequencies allocated hereunder or other frequencies that may be allocated by the Ministry to Avea for use in the GSM 1800 System, and failure of Avea to cease such activities in a reasonable period of time granted,
iv) Failure of Avea to pay the license fees hereunder.

However, that except for point (iv) above, Avea will be given the opportunity to fulfill its obligations within a period not less than 90 days of written notice by the ICTA. During this period of time, Avea will furnish to the ICTA a corrective action program for fulfillment of its obligations. If this program is accepted by the ICTA, the points of disagreement will be revised at the end of the program. If this program is not acceptable, the ICTA may terminate the Agreement at the end of the time period provided to Avea.

Upon termination of the Agreement, Avea shall transfer all of the GSM 1800 system equipment to the ICTA without any remuneration.

Insurance

Avea will maintain adequate all risk insurance for the telecommunication facilities and services established and operated until the end of the license term.

Electronic communication authorization

Avea is obligated to deposit the usage right fee (including VAT) arising from dedication of the numbers and frequencies for itself to the accounting department in order to record as income for the Treasury by the end of January for every year and also to send the receipt of the payment to the ICTA.

3G License authorization

The Concession Agreement with ICTA has been signed on 30 April 2009 and Avea has been granted with 3G license for an amount of Euro 214.000 excluding VAT. The term of the license is 20 years effective from the signature date of the Agreement. 3G services have been launched on 30 July 2009. According to this Agreement;

- Avea shall provide subscribers' and users' 112 calls and other emergency situation calls to public security institutions and other public institutions, and to direct those calls to the centers requested by the said institutions, free of charge bearing all costs.
- Avea shall keep at least 2 units of IMT-2000/UMTS mobile base stations to be used in emergency situations under the request of the Ministry of Transport and Communication.
- Within the first 5 years by the signature of the Agreement, Avea shall obtain the approval of the ICTA for each assignment of Avea shares in ratio exceeding 10% to persons and entities other than the current shareholders and subsidiaries of the current shareholders. Any type of share assignment leading a change in the control of Avea shall be subject to the approval of the ICTA.
- Avea has granted a bank letter of guarantee amounting to Euro 12.840 which is 6% of the license fee, for to act as final guarantee. Should the Avea is understood to not perform its contractual obligations; ICTA shall record and confiscate the final guarantee as income. In such confiscation of final guarantee as income is realized, Avea shall grant new final guarantee within 30 days. Should the new final guarantee not granted within the said period, the Agreement might be terminated.

26. Commitments and contingencies (continued)

3G License authorization (continued)

- During the term of the Agreement, Avea shall each year submit its investment plan related to the subsequent calendar year, till 1 November to the ICTA. This plan shall be prepared for three years and shall include such information as the number, location, coverage areas, investment costs with respect to exchange centres, base stations and control stations to be established, as well as the realization ratio of the previous year’s investment plan and reasons of deviation, if any.

- Avea will pay an amount equal to 15% of the gross sales on a monthly basis to the Treasury, except for the default interest imposed on their subscribers for their late payments, indirect taxes, financial obligations such as charges and fees, and the accrual amounts accounted for reporting purposes.

- Avea shall pay 0,35% of the gross sales to the ICTA as contribution share to the ICTA’s expenses, latest on the last working day of April of the following year.

Coverage Area Obligations:

Following the signature of the Agreement, Avea shall have under coverage the population within the borders of;

- metropolitan municipalities within 3 years,
- all the municipalities of all provinces and districts within 6 years,
- all the residential locations having a population of more than 5.000 within 8 years,
- residential locations having a population of more than 1.000 within 10 years.

These are the areas which are to be covered by Avea alone and this obligation shall not be fulfilled through roaming.

Avea should maintain service quality in accordance with ICTA regulations, ETSI (European Telecommunications Standards Institute) standards and standards, decisions and recommendations given by ITU.

Upon request of the ICTA, yearly utmost two settling areas shall be covered with priority by Avea.

If there is any delay in fulfillment of the coverage area obligations, except the force major conditions, an administrative fine shall be applied within the frame of Relevant Legislation. If there is any delay in fulfillment of the coverage area obligations for a period of more than two years, then the Agreement might be terminated by the ICTA.

The Investments for hardware and software being used in the electronic communications network

Except for the investments made in the lease of place, towers, piles, pipes, containers, channels, energy, transfer lines and similar infrastructure plants; each year Avea shall fulfil the following requirements for its investments related to electronic communications network (hardware, software etc.);

26. Commitments and contingencies (continued)

The Investments for hardware and software being used in the electronic communications network (continued)

a) To procure at least 40% of such investments from vendor companies employing a R&D centre established in Turkey and engaged in developing R&D projects in relation with the information and communication technologies provided at least 200 engineers functioning in such company in the first year after the signature of the Agreement, at least 300 engineers in the second year and at least 500 engineers for the third and subsequent years or from vendor companies employing a R&D center with at least 150 engineers functioning in the first year after the signature of the Agreement, at least 250 engineers in the second year and at least 350 engineers for the third and subsequent years however such company to employ also a Technical Assistance Centre with at least 50 engineers in the said first year, at least 100 engineers in the second year and at least 150 engineers in the third and subsequent years.

A vendor company may not establish the R&D center and Technical Assistance Centre together with another vendor company; but may establish with a company, organization or institution resident in Turkey. The vendor company shall have at least 50% share of such centers. Said organization or institution resident in Turkey shall not employ other R&D centers and Technical Assistance Centers that have been established together with other vendor companies functioning in information and communication technologies area.

The university associates may also be employed part time, as engineers to be employed by the vendor company. The number of the university associates may not exceed 5% of the total number of engineers stated above.

Avea is obliged to perform its investments regarding the electronic communications network by auditing and determining whether vendor companies comply with the foregoing terms and conditions.

b) To procure at least 10% of such investments from the vendors in quality of Small and Medium Sized Entities and established in Turkey for the purpose of product and system development.

All the independent software and hardware units to be used in the network of Avea shall have open interface connections with each other.

ICTA may perform audits regarding the execution of this obligation or may commission another organization or institution to perform such auditing when deems necessary. The costs to arise from such audits shall be borne by Avea.

Should Avea is understood to procure goods and services through methods against the foregoing terms and conditions, an administrative monetary penalty shall be applied to Avea up to 1% of its turnover of the previous calendar year.

26. Commitments and contingencies (continued)

Should Avea not perform the said obligations, a penalty as 40% of total amount of its investments in the network (hardware, software etc.), except for the investments for lease of place, towers, piles, pipes, containers, channels, energy transfer lines and similar infrastructure plants, shall be applied separately to Avea for each year. This clause is valid for the first three years following the signature date of the Agreement.

Termination of the Agreement by ICTA:

The Authority might terminate the Agreement for the following reasons;

- A bankruptcy or bankrupt's certificate decision on Avea given by the judicial authorities,
- Avea not performing some of its contractual obligations and not correcting such breach in the given period,
- Avea operating under the frequencies other than the ones allocated to itself by ICTA,
- Termination of Avea Concession Agreement
- Avea not performing national roaming obligation stated in the contract

In such circumstances, ICTA gives Avea the opportunity to fulfil its obligations within 90 days after the written notice. In case Avea can not fulfil all the obligations within this period, the Agreement will be terminated by ICTA. The license fee or any other fee is not reimbursable in case of a termination of agreement. In the case of cancellation of agreement by ICTA, Avea wil lalienate all data and documents which constitute system, software affecting the running of system (including tower, beam, blare, container, channel, energy transmission lines, antenna etc), stated and in the usage of Avea to ICTA or to the entity ICTA enounces by making sure that there is no pledge, mortgage, levy and related legal blockages on the mand they are free of cost and works free of problems.

Legal proceedings of Türk Telekom

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

<u>Disputes between Türk Telekom and Turkcelİ Ietişim Hizmetleri A.Ş ("Turkcell")</u>

Interconnection tariff and leased line disputes:

The Company and Turkcell have disputes over international interconnection and leased line rates charged by the Company. The Company has reflected a provision for such cases amounting to TL 103.400 including the interest and principal amount, to the consolidated financial statements for the year ended on 31 December 2012 (31 December 2011–TL 49.671).

The Dispute arising out of Turkcell's illegal voice traffic through Millenicom

The lawsuit was filed against Turkcell for the reason that Turkcell carried voice traffic through Millenicom GmbH, a company based in Germany, by breaching the Network Interconnection and Cooperation Agreement between Turkcell and the Company and that caused damage amounting to TL 450.931 to the Company. In the hearing of the lawsuit dated 5 November 2009, the 7th Commercial Court of First Instance of Ankara decided unanimously in favor of the Company and partially accepted the Company's claims.

26. Commitments and contingencies (continued)

Legal proceedings of Türk Telekom (continued)

The Dispute arising out of Turkcell's illegal voice traffic through Millenicom **(continued)**

Consequently, Turkcell was condemned to pay a total of TL 279.227, (TL 137.733 of which is the principal amount and TL 141.494 of which is the default interest) to the Company. Furthermore, beside the default interest to be added to the principal amount which shall be calculated on the basis of Turkish Central Bank commercial advance interest rate as from the filing date namely 5 August 2005, according to clause 12.3 of the Network Interconnection and Cooperation Agreement signed between Turkcell and the Company and amended by clause IX of the Annex Protocol dated 20 September 2003, a default penalty of 10% shall also be applied.

The Council has designated 19th Civil Chamber as competent by its decision dated 23 September 2010, numbered E:2010/740 and K:2010/900.The 19th Chamber announced its decision No: 2010/11229-2011/4716 on 11 April 2011 and with the decision taken by the Supreme Court of Appeals as a result of the appellate review, it was approved that Türk Telekom is right, stating that Turkcell violated the Company's monopoly right and this is against law and the interconnection agreement between Turkcell and Türk Telekom.

In addition, it was stated in the Court decision that the objections by both parties against the expert reports regarding the calculation of compensation and objections to the first instance court are not fully responded and covered thereby and therefore it is decided that the file will be returned to first instance court in order to enable an expert calculation which is in line with Court review. Turkcell on 11 March 2011 and Türk Telekom on 25 March 2011 applied to "revision of decision" mechanism against the aforementioned Supreme Court of Appeals decision. By the decision of 19th Chamber of Supreme Court, dated October 3, 2011 and numbered E.2011/8668 and K.2011/11802, appeal demand of both parties has been rejected. In the decision of 19th Chamber of Supreme Court related to appeal demand, Supreme Court has exactly resolved as Turk Telekom is justified about lawsuit and indicated that only it is necessary, first degree court should make decision by having a re-calculation in the case of indemnification. Thus, the case (registered to folder of E.2011/644) is again returned to Ankara 7th Commercial Court. The next court hearing will take place at 13 March 2013.

In the consolidated financial statements, the Company has not accrued income accrual for this case to be prudent, since the case is still in progress.

26. Commitments and contingencies (continued)

Disputes between the Company and its former personnel

In the scope of the ongoing restructuring of the personnel organization of the Company in order to achieve the number of personnel identified, the contracts of the employees who are entitled for pension and who are regarded as a surplus to the Company have been terminated based on the Board of Directors Decision. Accordingly, certain part of those employees has filed re-employment lawsuits against the Company. Most of the courts decided against the Company while the remaining cases are still ongoing. Provision amounting to TL 6.766 (2011 – TL 20.327) has been provided in the consolidated financial statements for the ongoing cases.

Disputes between the Company and Istanbul Metropolitan Municipality

Total amount filed against the Company by Istanbul Metropolitan Municipality with the claim that the contribution to the infrastructure investment fund and municipality share have not been paid by the Company is TL 26.855. A total provision amounting to TL 49.739 (2011 – TL 69.518) including the principal amount and legal interest charges has been reflected to consolidated financial statements as at 31 December 2012.

Legal proceedings of Avea

Monetary penalties to Avea by Ministry of Finance and penalty provisions

Avea made settlement with Major Taxpayer Office (BMVD) about the SCT assessment over discounts relating to 2006 – December 2009 period. As a result of this settlement, it has been agreed that Avea will pay TL 19.296 (2011 - TL 3.915). As of 31 December 2012, Avea paid the settlement amount therefore no provision is reflected to the consolidated financial statements.

The Company has recognized a provision amounting to TL 935 for the ongoing cases in relation to VAT, SCT and Reversed Charge VAT on International Roaming Services and for the years not subject to investigation about the same subjects as of 31 December 2012 (2011 - TL 4.717).

Disputes between the Group and the ICTA

The Company has filed various lawsuits against ICTA. These lawsuits are related with the sector-specific and tariff legislations and legislations with respect to the other operators in the market. The sector-specific disputes generally stem from the objections with respect to the provisions of interconnection legislation, legislation with respect to telecommunication services and infrastructure. As of 31 December 2012 TL 8.713 provision provided for ICTA penalties (2011: None).

Other issues

For the cases which are probable to be concluded against the Group with a total amount of TL 40.176, the Group has reflected provision to the financial statements amounting to TL 19.654 as at 31 December 2012 (2011 – TL 42.587) (Note 22) based on the lawyers' assessments. For the rest of the cases, Group lawyers commented that basis of those cases are not realistic and should be appealed. Therefore, no provision has been provided for these cases.

27. Events after the balance sheet date

None.

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

28. Operating expenses (including cost of sales)

	1 January- 31 December 2012	1 January- 31 December 2011
Cost of sales (-)	**(6.102.075)**	(5.279.179)
Marketing, sales and distribution expenses (-)	**(1.864.926)**	(1.906.793)
General administrative expenses (-)	**(1.466.258)**	(1.343.036)
Research and development expenses (-)	**(31.177)**	(27.054)
	(9.464.436)	(8.556.062)

29. Operating expenses (based on their nature)

	1 January- 31 December 2012	1 January- 31 December 2011
Personnel expenses	**(2.098.885)**	(2.068.258)
Domestic interconnection	**(838.717)**	(617.956)
Taxes	**(832.647)**	(792.822)
IFRIC 12 expenses	**(503.436)**	(126.346)
Commission expenses	**(487.866)**	(486.718)
Repair and maintanance expenses	**(433.574)**	(404.228)
Advertisement expenses	**(419.021)**	(488.439)
Rent expenses	**(376.221)**	(347.618)
Utilities	**(328.181)**	(272.682)
International interconnection	**(328.178)**	(300.692)
Promotion expenses	**(234.682)**	(225.200)
Outsources services	**(193.846)**	(174.802)
Bill distribution expenses	**(140.056)**	(158.040)
Content expenses	**(61.910)**	(52.083)
Court expert expenses	**(56.723)**	(42.920)
Revenue sharing project expenses	**(45.235)**	(43.953)
Vehicle expenses	**(40.115)**	(33.382)
Consulting expenses	**(36.319)**	(39.276)
Cost of Sales of technology companies	**(33.363)**	(36.017)
Management Fee	**(19.968)**	(14.758)
Doubtful receivable expenses	**(18.541)**	(4.805)
Other expenses	**(240.300)**	(248.537)
Total operating expenses (excluding depreciation and amortization expense)	**(7.767.784)**	(6.979.532)
Depreciation, amortization and impairment	**(1.696.652)**	(1.576.530)
Total operating expenses	**(9.464.436)**	(8.556.062)

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

30. Other operating income / (expenses)

	1 January- 31 December 2012	1 January- 31 December 2011
Gain on scrap sales	**129.955**	35.967
Gain on fixed asset sales	**54.430**	28.410
Income from litigation	**32.195**	26.660
Indemnity income	**27.954**	40.704
Commissions income	**10.418**	6.413
Income on release of bad debt provision (Note 8)	**4.369**	8.477
Curtailment and settlement gain	**349**	-
Rental income	**4.576**	3.017
Other	**52.773**	92.428
Other operating income	**317.019**	242.076
Litigation provision expense	**(68.602)**	(57.025)
Loss on fixed asset sales	**(12.133)**	(22.719)
Special Consumption Tax and other expenses	**(8.804)**	(3.176)
Other	**(69.455)**	(43.142)
Other operating expense (-)	**(158.994)**	(126.062)

31. Financial income / (expense)

	1 January- 31 December 2012	1 January- 31 December 2011
Foreign exchange losses	**(444.253)**	(871.351)
Interest expense	**(311.948)**	(237.609)
Loss on derivative instruments	**(30.085)**	(68.035)
Other	**(119.523)**	(110.134)
Financial expense	**(905.809)**	(1.287.129)
Foreign exchange gains	**647.409**	142.701
Interest income on bank deposits and delay charges	**204.159**	208.801
Derivative instruments	**18.265**	11.882
Other	**2.647**	32.337
Financial Income	**872.480**	395.721
Financial (expense) net	**(33.329)**	(891.408)

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

32. Taxation on income

	31 December 2012	31 December 2011
Corporate tax payable:		
Current corporate tax provision	**757.070**	718.629
Prepaid taxes and funds (-)	**(631.665)**	(547.754)
Tax payable	**125.405**	170.875

	1 January - 31 December 2012	1 January - 31 December 2011
Tax expense:		
Current tax expense		
Current income tax expense	**(754.988)**	(728.123)
Adjustments in respect of income tax of previous year	**(6.249)**	(6.343)
Deferred income / (expense) (Note 14)		
Deferred tax expense due to derecognition of deferred tax asset	**(6.500)**	(1.503)
Deferred tax income due to tax losses	**284**	2.249
Deferred (expense) / income tax credit	**(5.819)**	24.147
	(773.272)	(709.573)

As of 31 December 2012, total amount of corporate and deferred tax related to transaction recognised under equity is TL 87.932 (2011 – TL 58.377).

As of 31 December 2012, deferred tax amounting to TL 27.457 (2011 – TL 21.787) and TL 2.082 amounted current tax were recognized under the consolidated statement of other comprehensive income.

The Company and its subsidiaries located in Turkey is subject to taxation in accordance with the tax regulations and the legislation effective in Turkey where the Group companies operate. In Turkey, the corporation tax rate is 20% (2011 – 20%). Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one instalment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% (2011 – 20%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

Dividend payments made to resident and non-resident individuals, non-resident legal entities and corporations resident in Turkey (except for the ones exempt from corporate and income tax), are subject to an income tax of 15%. Dividend payments made from a corporation resident in Turkey to a corporation also resident in Turkey are not subject to income tax. Furthermore, income tax is not calculated in case the profit is not distributed or transferred to equity.

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

32. Taxation on income (continued)

The dividend income (excluding the participation certificates of investment funds and profit shares derived from the share certificates of investment trusts) derived by entities from the participation in the capital of another resident entity is exempt from corporate tax. Furthermore, 75% of the income derived by entities from the sale of participation shares, immovable property, preferential rights, founders' shares and redeemed shares which are carried in assets at least for two years is exempt from corporate tax. In order to be able to benefit from the exemption, the relevant income should be kept under a fund account in the liabilities and should not be withdrawn from the enterprise for 5 years. The sales amount should be collected by the end of the second calendar year following the year of sale.

The reconciliation between tax expense and the product of accounting profit multiplied by applicable tax is as follows:

	1 January- 31 December 2012	1 January- 31 December 2011
Profit before tax	**3.366.402**	2.609.099
Tax at the corporate tax rate of 20%	**673.280**	521.820
Tax effects of:		
- expenses that are not deductible in determining taxable profit	**50.435**	36.557
- tax rate difference of subsidiaries	**2.825**	(1.639)
- deferred tax asset recognized from tax losses carried forward by subsidiaries	**6.216**	(746)
- adjustments and tax losses of subsidiaries not subject to deferred tax	**40.516**	153.580
Tax expense for the year	**773.272**	709.572

As of 31 December 2012, the aggregate amount of temporary differences associated with subsidiaries for which deferred tax assets amounting to TL 1.793.139 (2011- TL 1.928.583) has not been recognized in the consolidated financial statements.

Investment Incentives

Avea has obtained investment incentive certificates from the Turkish government authorities in connection with certain major capital expenditures, which entitle Avea, among other things, to:

a) A 100% exemption from customs duty on machinery and equipment to be imported,
b) An investment allowance of 100% on approved capital expenditures,

The investment allowance indicated in (b) above is deductible from current or future taxable profits for the purposes of corporation tax; however, such investment allowances are subject to a withholding tax. At 31 December 2012, investment allowances amount to TL 5.275.362 (31 December 2011 - TL 4.924.722). Unrecognised deferred tax asset is TL 137.524

The Law foresaw that the taxpayers that have investment allowance rights obtained under the scope of the previous provisions valid before 24 April 2003 and the provisions of the amended article 19 of the Income Tax Law (amended with Law No 4842) that were effective until 31 December 2005 would be able to utilize their investment allowance rights only for their income generated in the years 2006, 2007, and 2008.

However on 15 October 2009, the Constitutional Court decided to cancel the phrases which abolish the investment allowances after 2008 and limit the use of investment allowance incentive allowance with the years 2006, 2007 and 2008. The annulment decision is effective after being published in the Official Gazette no 27456 dated 8 January 2010. Accordingly, Avea may utilize those unused incentive in the future.

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

33. Financial risk management objectives and policies

Financial risk policies of the Group are managed centrally with the support of a committee. All Group companies meet their cash needs determined in business plans approved by their boards, by using credits or capital increase with guidance of the central management. The Group may choose long or short term financing according to their financing needs and market assumptions.

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

Financial risk factors

The Group's principal financial instruments comprise forward market transactions, bank loans and cash and short-term deposits. The main purpose of these financial instruments is to raise funds for the Group's operations and to hedge interest rate risk. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The board reviews and agrees to policies for managing each of these risks and they are summarized below.

Credit risk

	Receivables						
	Trade receivables		Other receivables				
As of 31 December 2012	Related Parties	Third Parties	Related Parties	Third Parties	Deposits at banks	Derivative instruments	Other
Maximum credit risk exposed to as at 31 December 2011 (A+B+C+D+E)	5.773	2.151.228	-	166.466	959.926	3.226	502.891
- Guaranteed portion of the maximum risk	-	45.664	-	-	-	-	-
A. Carrying amount of financial assets not overdue or not impaired	5.773	1.159.075	-	166.466	959.926	3.226	502.891
B. Carrying amount of financial assets with rediscussed conditions, that are considered overdue or impaired if not rediscussed	-	-	-	-	-	-	-
C. Carrying amount of financial assets overdue but not impaired	-	992.153	-	-	-	-	-
- Amount secured via guarantees	-	-	-	-	-	-	-
D. Carrying amount of assets impaired	-	-	-	-	-	-	-
- Overdue (gross book value)	-	1.315.324	-	33.872	-	-	-
- Impairment (-)	-	(1.315.324)	-	(33.872)	-	-	-
E. Off balance sheet items with credit risk	-	-	-	-	-	-	-

	Receivables						
	Trade receivables		Other receivables				
As of 31 December 2011	Related Parties	Third Parties	Related Parties	Third Parties	Deposits at banks	Derivative instruments	Other
Maximum credit risk exposed to as at 31 December 2011 (A+B+C+D+E)	14.880	2.061.891	-	109.831	975.051	536	404.309
- Guaranteed portion of the maximum risk	-	21.070	-	-	-	-	-
A. Carrying amount of financial assets not overdue or not impaired	14.880	1.243.108	-	109.831	975.051	536	404.309
B. Carrying amount of financial assets with rediscussed conditions, that are considered overdue or impaired if not rediscussed	-	-	-	-	-	-	-
C. Carrying amount of financial assets overdue but not impaired	-	818.783	-	-	-	-	-
- Amount secured via guarantees	-	-	-	-	-	-	-
D. Carrying amount of assets impaired	-	-	-	-	-	-	-
- Overdue (gross book value)	-	1.312.949	-	22.498	-	-	-
- Impairment (-)	-	(1.312.949)	-	(22.498)	-	-	-
E. Off balance sheet items with credit risk	-	-	-	-	-	-	-

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

33. Financial risk management objectives and policies (continued)

Credit risk (continued)

Financial losses due to Group's receivables and financial assets which result from not implementing agreement clauses related to financial assets by a customer or other party constitutes credit risk.

When determining the credit risk exposure as at the balance sheet date, items like guarantees received, which increase the credit worthiness have not been considered. The aging for assets overdue but not impaired for has been provided in Note 8.

As of 31 December 2012, there is no significant credit risk of Company. The maximum credit risk Company exposure is reflected by presenting all financial assets from carrying amount on consolidated balance sheet.

33. Financial risk management objectives and policies (continued)

Liquidity risk

Liquidity risk is uncertainty to cover future financial obligations.

The Group's objective is to maintain a balance between current assets and liabilities through close monitoring of payment plans and cash projections.

The Group manages current and long-term funding by maintaining adequate reserves, banking facilities, reserve borrowing facilities and loan agreements with suppliers through continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2012 and 2011 based on contractual undiscounted payments (including interest payments not due yet).

Contract based maturities as at 31 December 2012	Book value	Total contract based cash outflow (=I+II+III+IV)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 Years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Financial liabilities	**6.010.044**	**6.564.831**	**602.035**	**859.975**	**4.260.104**	**842.717**
Obligations under finance leases	**27.750**	**30.551**	**1.542**	**6.872**	**22.137**	**-**
Trade payables	**1.267.099**	**1.270.554**	**1.185.861**	**66.605**	**18.088**	**-**
Other payables	**495.139**	**495.139**	**495.139**	**-**	**-**	**-**
Related parties	**7.389**	**7.389**	**7.389**	**-**	**-**	**-**
Minority put option liability	**467.561**	**586.508**	**-**	**-**	**586.508**	**-**
Derivative financial liabilities (net)	**38.931**	**37.056**	**4.082**	**2.025**	**38.158**	**(7.209)**

Contract based maturities as at 31 December 2011	Book value	Total contract based cash outflow (=I+II+III+IV)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 Years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Financial liabilities	**5.310.362**	**5.620.763**	**1.261.381**	**1.154.186**	**2.649.252**	**555.944**
Obligations under finance leases	**35.798**	**40.870**	**1.564**	**7.393**	**31.913**	**-**
Trade payables	**1.997.082**	**2.008.975**	**1.808.843**	**92.040**	**108.092**	**-**
Other payables	**530.896**	**530.896**	**530.896**	**-**	**-**	**-**
Related parties	**5.602**	**5.602**	**5.602**	**-**	**-**	**-**
Minority put option liability	**558.251**	**815.375**	**-**	**-**	**815.375**	**-**
Derivative financial liabilities (net)	**35.118**	**33.557**	**17.451**	**10.923**	**4.072**	**1.111**

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

33. Financial risk management objectives and policies (continued)

Foreign currency risk

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

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

As of 31 December 2012	Profit / Loss		Comprehensive Income	
	Appreciation of foreign currency	Depreciation of foreign currency	Depreciation of foreign currency	Depreciation of foreign currency
Appreciation of USD against TL at 1%:				
1- USD net asset/liability	(29.617)	29.617	(33)	33
2- Portion protected from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	**(29.617)**	**29.617**	**(33)**	**33**
Appreciation of Euro against TL at 1%:				
4- Euro net varlık/yükümlülüğü	(28.047)	28.047	(2.338)	2.338
5- Euro riskinden korunan kısım (-)	-	-	-	-
6- Euro net etki (4+5)	**(28.047)**	**28.047**	**(2.338)**	**2.338**
Appreciation of other foreign currencies against TL at 1%:				
7- Other foreign currency net asset/liability	(1.032)	1.032	-	-
8- Portion protected from other foreign currency (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	**(1.032)**	**1.032**	**-**	**-**
Total (3+6+9)	**(58.696)**	**58.696**	**(2.371)**	**2.371**

As of 31 December 2011	Profit / Loss		Comprehensive Income	
	Appreciation of foreign currency	Depreciation of foreign currency	Depreciation of foreign currency	Depreciation of foreign currency
Appreciation of USD against TL at 1%:				
1- USD net asset/liability	(24.783)	24.783	(48)	48
2- Portion protected from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	**(24.783)**	**24.783**	**(48)**	**48**
Appreciation of Euro against TL at 1%:			-	-
4- Euro net asset/liability	(26.663)	26.663	(45.783)	45.783
5- Portion protected from Euro risk (-)	-	-	-	-
6- Euro net effect (4+5)	**(26.663)**	**26.663**	**(45.783)**	**45.783**
Appreciation of other foreign currencies against TL at 1%:			-	-
7- Other foreign currency net asset/liability	(61)	61	-	-
8- Portion protected from other foreign currency (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	**(61)**	**61**	**-**	**-**
Total (3+6+9)	**(51.507)**	**51.507**	**(45.831)**	**45.831**

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

33. Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

	31 December 2012						31 December 2011				
	TL Equivalent	US Dollar	Euro	JPY	GBP	Other	TL equivalent	USD	Euro	GBP	Other
1. Trade receivables	180.368	42.128	44.436	-	-	1.612	183.181	41.827	42.294	-	1.612
2a. Monetary financial assets (Cash and banks accounts included)	306.121	141.317	22.491	-	459	-	360.911	164.763	20.321	10	-
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-	-
3. Other	20.934	3.152	6.499	-	11	-	15.966	4.669	2.920	0	21
4. Current assets (1+2+3)	507.423	186.597	73.426	-	470	1.612	560.058	211.259	65.535	10	1.633
5. Trade receivables	-	-	436	-	-	-	2.763	1.399	3	-	222
6a. Monetary financial assets	205	-	87	-	-	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-	-
7. Other	529	71	171	-	-	-	13	2	5	-	-
8. Non-current assets (5+6+7)	734	71	694	-	-	-	2.776	1.401	8	-	222
9. Total assets (4+8)	508.157	186.668	74.120	-	470	1.612	562.834	212.660	65.543	10	1.855
10. Trade payables	573.803	201.188	91.407	-	57	(2)	765.914	230.341	135.014	180	597
11. Financial liabilities	1.049.724	366.408	168.302	37.201	-	-	1.577.071	470.317	280.221	1.332	-
12a. Monetary other liabilities	45.504	8.151	13.171	-	-	-	165.081	34.885	39.806	655	852
12b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-	-
13. Short-term liabilities (10+11+12)	1.669.031	575.747	272.880	37.201	57	(2)	2.508.066	735.543	455.041	2.167	1.449
14. Trade payables	-	-	-	-	-	-	3.392	3.373	19.934	-	-
15. Financial liabilities	4.602.215	1.268.821	951.708	4.951.728	-	-	3.047.958	781.096	643.484	-	-
16 a. Monetary other liabilities	84.012	314	35.485	-	-	-	86.060	-	35.216	-	-
16 b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-	-
17. Long-term liabilities (14+15+16)	4.686.227	1.269.135	987.193	4.951.728	-	-	3.137.410	784.469	698.634	-	-
18. Total liabilities (13+17)	6.355.258	1.844.882	1.260.073	4.988.929	57	(2)	5.645.476	1.520.012	1.153.675	2.167	1.449
19. Net asset/(liability) position of off balance sheet	-	-	-	-	-	-	-	-	-	-	-
derivative instruments (19a-19b)	-	-	-	-	-	-	-	-	-	-	-
19a. Total asset amount hedged **	-	-	-	-	-	-	-	-	-	-	-
19b. Total liability amount hedged ***	-	-	-	-	-	-	-	-	-	-	-
20. Net foreign currency asset/(liability) position (9-18+19)	(5.847.100)	(1.658.214)	(1.185.953)	(4.988.929)	413	1.614	(5.082.642)	(1.307.352)	(1.088.132)	(2.157)	406
21. Net asset/(liability) position of foreign currency monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)*	(5.868.563)	(1.661.436)	(1.192.625)	(4.988.929)	402	1.614	(5.098.621)	(1.312.023)	(1.091.057)	(2.157)	385
22. Fair value of FX swap financial instruments	-	-	-	-	-	-	-	-	-	- -	

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

33. Financial risk management objectives and policies (continued)

Interest rate risk

The value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Group's interest rate risk is primarily attributable to its borrowings.

The interest-bearing financial liabilities have variable interest rates, whereas the interest bearing financial assets have a fixed interest rate and future cash flows associated with these financial instruments will not fluctuate in amount. The Group is subject to interest risk due to financial liabilities and finance lease obligations. In order to cover for these risks, the Group has entered into interest rate swaps. The carrying amount and the maturities of these financial instruments have been presented above. (Note 17)

The interest rate risk table is presented below:

	31 December 2012	31 December 2011
Financial instruments with fixed interest rate		
Financial liabilities	**1.041.239**	1.520.419
Financial instruments with variable interest rate		
Financial liabilities	**4.968.814**	3.789.943

If the base point of denominated interest rates for financial instruments with variable interest rate was higher/lower 0,25%, with all other variables held constant, the Group's income before tax and minority interest would be lower/higher TL 12.401 as of 31 December 2012. (31 December 2011 – TL 9.475)

On the other side because of hedging, if the base point of interest rate higher/lower 0.25%, equity would be higher/lower TL 15.554 (31 December 2011 – TL 785).

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

33. Financial risk management objectives and policies (continued)

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

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

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

	Book Value		**Fair Value**	
	Current Period	Prior Period	**Current Period**	Prior Period
Financial assets				
Cash and cash equivalents	**960.788**	978.676	**960.788**	978.676
Trade and other receivables (including related parties)	**2.323.466**	2.323.466	**2.323.466**	2.186.602
Other current and non-current assets	**504.238**	405.565	**504.238**	405.565
Other financial investments	**11.840**	11.840	**(*)**	(*)
Financial liabilities				
Financial liabilities	**6.010.044**	5.310.362	**6.012.371**	5.307.258
Financial leasing liabilities	**27.750**	35.798	**27.750**	35.798
Trade and other payables	**1.608.084**	2.012.452	**1.608.084**	2.012.452
Other current and non-current liabilities	**1.160.836**	608.185	**1.160.836**	608.185

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

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

33. Financial risk management objectives and policies (continued)

Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

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

Financial assets at fair value through profit or loss:	**Level 1**	**Level 2**	**Level 3**
Swap transactions	-	**3.226**	-
Forward trasactıons	-	-	-
Financial liabilities at fair value through profit or loss:			
Swap transactions	-	**38.931**	-
Forward transactions	-	-	-
Minority put option liability (Note 11)	-	-	**467.561**

Fair value hierarchy table as at 31 December 2011 is as follows:

Financial assets at fair value through profit or loss:	**Level 1**	**Level 2**	**Level 3**
Swap transactions	-	**535**	-
Forward trasactıons	-	-	-
Financial liabilities at fair value through profit or loss:			
Swap transactions	-	**35.118**	-
Forward trasactıons	-	-	-
Minority put option liability (Note 11)	-	-	**558.251**

Capital management policies

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. In this respect the Group restructured its debt obligations through replacing the majority of the short-term loans with long-term ones and further to this rolled over the remaining of short-term loans during the year 2009.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or return capital to shareholders. No changes were made in the objectives, policies or processes during the years 2012 and 2011.