

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

# **Türk Telekomünikasyon Anonim Şirketi**

**Interim condensed consolidated financial statements  
for the period between 1 January – 30 September 2010**

**(Convenience translation of a report and financial statements originally issued in Turkish)**  
**Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

**Table of contents**

	<u>Page</u>
Interim condensed consolidated balance sheet	2 - 3
Interim condensed consolidated income statement	4
Interim condensed consolidated comprehensive income statement	5
Interim condensed consolidated statement of changes in equity	6
Interim condensed consolidated cash flow statement	7
Notes to the interim condensed consolidated financial statements	8 - 29

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

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Condensed consolidated balance sheet

As at 30 September 2010

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated)

		Current period (Unaudited)	Prior period (Audited)
	Notes	30 September 2010	31 December 2009
<b>Assets</b>			
<b>Current Assets</b>			
		<b>3.234.121</b>	<b>2.844.599</b>
Cash and cash equivalents	6	<b>917.449</b>	753.693
Trade receivables			
- Trade receivables from related parties	7	<b>141.640</b>	90.992
- Other trade receivables		<b>1.631.505</b>	1.396.175
Other receivables		<b>42.691</b>	33.309
Inventories		<b>77.310</b>	62.920
Other current assets		<b>423.526</b>	507.510
<b>Non-current assets</b>			
		<b>10.209.272</b>	<b>10.556.763</b>
Other receivables		<b>859</b>	676
Other financial assets	14	<b>214</b>	-
Financial investments		<b>11.840</b>	11.840
Investment property		<b>278.524</b>	291.001
Property, plant and equipment	9	<b>6.447.167</b>	6.629.328
Intangible assets	9	<b>3.166.484</b>	3.286.440
Goodwill		<b>49.172</b>	49.172
Deferred tax asset		<b>245.152</b>	245.125
Other non-current assets		<b>9.860</b>	43.181
<b>TOTAL ASSETS</b>			
		<b>13.443.393</b>	<b>13.401.362</b>

The accompanying policies and explanatory notes on pages 8 through 29 form an integral part of the consolidated financial statements.

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

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Condensed consolidated balance sheet

As at 30 September 2010

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated)

		Current period (Unaudited)	Prior period (Audited)
	Notes	30 September 2010	31 December 2009
<b>Liabilities</b>			
<b>Current liabilities</b>			
		<b>3.956.559</b>	4.664.947
Financial liabilities			
- Bank borrowings	8	<b>1.644.430</b>	2.154.838
- Obligations under finance leases		<b>5.120</b>	5.446
Other financial liabilities			
- Derivative financial instruments	14	<b>41.671</b>	58.835
Trade payables			
- Trade payables to related parties	7	<b>23.744</b>	23.820
- Other trade payables		<b>568.442</b>	858.058
Other payables		<b>31.060</b>	39.903
Income tax payable		<b>180.876</b>	149.982
Provisions		<b>269.574</b>	248.595
Other current liabilities	10	<b>1.191.642</b>	1.125.470
<b>Non-current liabilities</b>		<b>3.798.072</b>	3.314.449
Financial liabilities			
- Bank borrowings	8	<b>2.285.102</b>	1.777.309
- Obligations under finance leases		<b>29.658</b>	36.483
Other financial liabilities			
- Minority put option liability		<b>543.103</b>	543.103
- Derivative financial instruments	14	<b>26.797</b>	48.179
Other payables		<b>8.591</b>	8.942
Provisions		<b>9.687</b>	7.139
Provisions for employee termination benefits		<b>658.708</b>	634.171
Deferred tax liability		<b>232.212</b>	252.638
Other non-current liabilities		<b>4.214</b>	6.485
<b>Equity</b>		<b>5.688.762</b>	5.421.966
<b>Equity attributable to parent</b>			
Paid-in share capital		<b>3.500.000</b>	3.500.000
Inflation adjustments to paid in capital (-)		<b>(239.752)</b>	(239.752)
Other reserves			
- Minority put option liability reserve (-)		<b>(566.979)</b>	(488.749)
- Fair value difference arising from acquisition of subsidiary (-)		<b>(308.634)</b>	(308.634)
- Unrealized loss on derivative financial instruments (-)		<b>(43.980)</b>	(86.441)
- Share based payment reserve		<b>9.528</b>	9.528
Currency translation gain/(loss)		<b>350</b>	(188)
Restricted reserves allocated from profits		<b>1.446.210</b>	1.204.192
Retained earnings/(accumulated deficit)		<b>280</b>	280
Net profit for the period/year		<b>1.891.739</b>	1.831.730
<b>Total liabilities and equity</b>		<b>13.443.393</b>	13.401.362

The accompanying policies and explanatory notes on pages 8 through 29 form an integral part of the consolidated financial statements.

**Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

**Condensed consolidated income statement**

**For the period ended 30 September 2010**

**(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated)**

		Current Period		Prior Period	
		(Unaudited) 1 January 2010 - 30 September 2010	1 July 2010 - 30 September 2010	(Unaudited) 1 January 2009 - 30 September 2009	1 July 2009 - 30 September 2009
	Notes				
Revenue	5	7.956.901	2.706.962	7.817.545	2.668.182
Cost of sales (-)	5	(3.563.039)	(1.211.994)	(3.667.526)	(1.186.484)
<b>Gross profit</b>		<b>4.393.862</b>	<b>1.494.968</b>	<b>4.150.019</b>	<b>1.481.698</b>
Marketing, sales and distribution expenses (-)	5	(1.153.252)	(378.622)	(956.298)	(315.412)
General administrative expenses (-)	5	(1.127.715)	(356.828)	(1.256.951)	(431.375)
Research and development expenses (-)	5	(18.507)	(1.359)	(23.745)	(6.493)
Other operating income		336.887	112.519	282.105	91.831
Other operating expense (-)		(48.362)	14.465	(84.167)	(17.897)
<b>Operating profit</b>		<b>2.382.913</b>	<b>885.143</b>	<b>2.110.963</b>	<b>802.352</b>
Financial income		417.037	101.279	252.082	75.173
Financial expense (-)		(388.872)	(65.851)	(653.336)	(205.379)
<b>Profit before tax</b>		<b>2.411.078</b>	<b>920.571</b>	<b>1.709.709</b>	<b>672.146</b>
<b>Tax expense</b>					
Tax expense for the period		(627.747)	(180.889)	(564.646)	(170.099)
Deferred tax income		20.455	(2.877)	91.020	(1.929)
<b>Net profit</b>		<b>1.803.786</b>	<b>736.805</b>	<b>1.236.083</b>	<b>500.118</b>
<b>Attribution of net profit</b>					
Attributable to equity holders of the parent		1.891.739	744.463	1.368.722	547.770
Minority interest		(87.953)	(7.658)	(132.639)	(47.652)
Earnings per shares attributable to equity holders of the parent from (in full Kuruş)	4	0,5405	0,2127	0,3911	0,1565
Earnings per diluted shares attributable to equity holders of the parent from (in full Kuruş)	4	0,5405	0,2127	0,3911	0,1565

The accompanying policies and explanatory notes on pages 8 through 29 form an integral part of the consolidated financial statements.

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

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Condensed consolidated comprehensive income statement

For period ended 30 September 2010

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated)

	Current Period		Prior Period		
	(Unaudited)		(Unaudited)		
	1 January 2010 - 30 September 2010	1 July 2010 - 30 September 2010	1 January 2009 - 30 September 2009	1 July 2009 - 30 September 2009	
<b>Profit for the period</b>	<b>1.803.786</b>	<b>736.805</b>	1.236.083	500.118	
<b>Other comprehensive income:</b>					
Profit / (loss) from derivative financial instruments transferred to condensed consolidated income statement	14	<b>72.745</b>	<b>13.050</b>	105.106	(10.717)
Change in fair value of derivative financial instruments		<b>(20.562)</b>	<b>117</b>	2.609	(25.797)
Currency translation gain / (loss)		<b>538</b>	<b>939</b>	248	102
<b>Other comprehensive income (After tax)</b>		<b>52.721</b>	<b>14.106</b>	107.963	(36.412)
<b>Total comprehensive income</b>		<b>1.856.507</b>	<b>750.911</b>	1.344.046	463.706
<b>Distribution of total comprehensive income:</b>					
Attributable to equity holders of the parent		<b>1.934.738</b>	<b>756.116</b>	(112.174)	(1.050.233)
Minority interest		<b>(78.231)</b>	<b>(5.205)</b>	1.456.220	1.513.939

The accompanying policies and explanatory notes on pages 8 through 29 form an integral part of the consolidated financial statements.

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

**Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

**Unaudited condensed consolidated statement of changes in equity  
for the period ended 30 September 2010**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated)

	Other Reserves							Currency translation gain/(loss)	Retained Earnings/ (accumulated deficit)	Net profit for the period	Minority interest	Total Equity
	Paid-in share capital	Inflation adjustment to paid in capital	Restricted reserves allocated from profits	Minority put option liability reserve	Share based payment reserve	Fair value difference arising from acquisition of subsidiary	Unrealised loss on derivative financial instruments					
Balance as at 1 January 2009	3.500.000	(239.752)	1.231.408	(386.719)	9.528	(294.065)	(169.957)	(57)	(288.991)	1.752.212	--	5.113.607
Transfer to retained earnings	--	--	--	--	--	--	--	--	1.752.212	(1.752.212)	--	--
Transfer to restricted reserves allocated from profits	--	--	262.657	--	--	--	--	--	(262.657)	--	--	--
Transfer to restricted reserves allocated from accumulated deficit	--	--	(288.991)	--	--	--	--	--	288.991	--	--	--
Minority interest before classification to minority put option liability	--	--	--	--	--	--	--	--	--	--	199.720	199.720
Share based payment reserve	--	--	--	--	--	--	--	--	--	--	--	--
Total comprehensive income / loss	--	--	--	--	--	--	87.250	248	--	--	20.465	107.963
Minority put option liability	--	--	--	(79.311)	--	--	--	--	--	--	(87.546)	(166.857)
Dividend paid (Not 11)	--	--	--	--	--	--	--	--	(1.490.157)	--	--	(1.490.157)
Net profit for the period	--	--	--	--	--	--	--	--	--	1.368.722	(132.639)	1.236.083
Balance as at 30 September 2009	3.500.000	(239.752)	1.205.074	(466.030)	9.528	(294.065)	(82.707)	191	(602)	1.368.722	--	5.000.359
Balance as at 1 January 2010	3.500.000	(239.752)	1.204.192	(488.749)	9.528	(308.634)	(86.441)	(188)	280	1.831.730	--	5.421.966
Transfer to retained earnings	--	--	--	--	--	--	--	--	1.831.730	(1.831.730)	--	--
Transfer to restricted reserves allocated from profits	--	--	242.018	--	--	--	--	--	(242.018)	--	--	--
Minority interest before classification to minority put option liability	--	--	--	--	--	--	--	--	--	--	54.354	54.354
Total comprehensive income / loss	--	--	--	--	--	--	42.461	538	--	--	9.722	52.721
Minority put option liability	--	--	--	(78.230)	--	--	--	--	--	--	23.877	(54.353)
Dividend paid (Not 11)	--	--	--	--	--	--	--	--	(1.589.712)	--	--	(1.589.712)
Net profit for the period	--	--	--	--	--	--	--	--	--	1.891.739	(87.953)	1.803.786
Balance as at 30 September 2010	3.500.000	(239.752)	1.446.210	(566.979)	9.528	(308.634)	(43.980)	350	280	1.891.739	--	5.688.762

The accompanying policies and explanatory notes on pages 8 through 29 form an integral part of the consolidated financial statements

**Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

**Reviewed condensed consolidated cash flow statement**

**for the period ended 30 September 2010**

**(Currency - in Thousands of New Turkish Lira ("TL") unless otherwise indicated)**

	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>Current period</b>	<b>Prior period</b>
	<b>1 January -</b>	<b>1 January -</b>
	<b>30 September 2010</b>	<b>30 September 2009</b>
<b>Profit for the period before tax</b>	<b>2.411.078</b>	<b>1.709.709</b>
Adjustments to reconcile profit before tax to cash provided by operating activities:		
Depreciation and amortization expense	<b>1.127.709</b>	1.199.995
Gain on sale of property, plant and equipment	<b>(31.077)</b>	(4.672)
IFRIC 12 adjustment	<b>(4.117)</b>	--
Foreign currency exchange (income) / expense, net	<b>(182.106)</b>	(24.771)
Interest income and (expense), net	<b>206.930</b>	70.894
Reversal of doubtful receivables	<b>(145.211)</b>	(127.433)
Allowance for doubtful receivables	<b>223.308</b>	262.758
Provision for employee termination benefits	<b>83.263</b>	68.149
Litigation provision / (release), net	<b>46.199</b>	(3.208)
Loss on derivative financial instruments	<b>70.876</b>	1.119
Unused vacation provision / (release), net	<b>100</b>	3.871
Other provisions	<b>1.642</b>	1.109
<b>Operating profit before working capital changes</b>	<b>3.808.594</b>	<b>3.157.520</b>
Net working capital changes in:		
Trade receivables and other receivables	<b>(365.519)</b>	(309.070)
Other current assets and inventories	<b>57.472</b>	(70.870)
Trade payables and other payables	<b>(289.692)</b>	(445.563)
Other non-current assets	<b>6.082</b>	(6.988)
Other current liabilities and provisions	<b>131.202</b>	92.503
Other non-current liabilities and provisions	<b>(1.365)</b>	(2.288)
Payments of employee termination benefits	<b>(58.726)</b>	(19.186)
Restricted cash	<b>(28.901)</b>	8.878
Provision payments	<b>(3.769)</b>	-
Income taxes paid	<b>(596.851)</b>	(488.392)
<b>Net cash provided by operating activities</b>	<b>2.658.527</b>	<b>1.916.544</b>
<b>Investing activities</b>		
Interest received	<b>(61.009)</b>	144.271
Proceeds from sale of property, plant, equipment and intangible assets	<b>49.376</b>	27.920
Purchases of property, plant and equipment and intangible assets	<b>(923.071)</b>	(1.548.512)
<b>Net cash used in investing activities</b>	<b>(934.704)</b>	<b>(1.376.321)</b>
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings (Note 8)	<b>10.648.459</b>	11.510.768
Repayment of bank borrowings (Note 8)	<b>(10.442.576)</b>	(10.500.210)
Repayment of obligations under finance leases (Note 8)	<b>(3.765)</b>	(3.594)
Interest paid	<b>(143.921)</b>	(234.129)
Derivative instrument payments	<b>(57.453)</b>	-
Dividends paid	<b>(1.589.712)</b>	(1.490.157)
<b>Net cash used in financing activities</b>	<b>(1.588.968)</b>	<b>(717.322)</b>
Net decrease in cash and cash equivalents	<b>134.855</b>	(177.099)
Cash and cash equivalents at the beginning of the period (Note 6)	<b>317.681</b>	616.109
<b>Cash and cash equivalents at the end of the period (Note 6)</b>	<b>452.536</b>	<b>439.010</b>

The accompanying policies and explanatory notes on pages 8 through 29 form an integral part of the consolidated financial statements.

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

### **Notes to condensed consolidated financial statements**

**As at 30 September 2010**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated.

All other currencies are also expressed in thousands)

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

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

According to the permission of the Capital Market Board ("CMB") numbered 22/256, 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.

Oger Telecom Limited (Oger Telecom) owns 99% of the shares of OTAŞ, which in turn owns 55% of the Company. Oger Telecom was incorporated as a limited liability company in August 2005 under the laws of Dubai Finance Center.

As at 30 September 2010 and 31 December 2009, the ultimate parent and controlling party of the Company is Saudi Oger Ltd ("Saudi Oger"), the parent company of Oger Telecom.

A concession agreement ("the Concession Agreement") was signed by the Company and the Turkish Telecommunication Authority (whose new name is Information and Communication Technologies Authority ("ICTA")) as of 14 November 2005. The Concession Agreement covers the provision of all kinds of telecommunication services, establishment of necessary telecommunications facilities and the use of such facilities by other licensed operators and the marketing and supply of telecommunication services. The term of the Concession Agreement is 25 years starting from 28 February 2001.

The company has completed the 100% share purchase of Invitel International AG (including its subsidiaries) , Invitel International Hungary Kft, and S.C. Euroweb Romania S.A (" Invitel Group) on 7 October 2010 after a preliminary share purchase agreement signed on 18 May 2010 with Invitel International and the fulfillment of the conditions as well as the legal approvals. The company has paid a total amount of Euro 207,5 million comprising the share value of Euro 135,7 million for the acquisition and the transfer of a shareholder loan amounting to Euro 71,8 million to former shareholders. As the acquisition has been completed after 30 September 2010, Invitel Group financial statements have not been included in the condensed consolidated financial statements.

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Notes to unaudited condensed consolidated financial statements (continued)

As at 30 September 2010

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated.

All other currencies are also expressed in thousands)

#### 1. Corporate information (continued)

The details of the Company's subsidiaries as at 30 September 2010 and 31 December 2009 are as follows:

Name of Subsidiary	Place of incorporation and operation	Principal activity	Effective ownership of the Company %	
			30 September 2010	31 December 2009
TTNet Anonim Şirketi ("TTNet")	Turkey	Internet Service Provider	99,96	99,96
Avea İletişim Hizmetleri A.Ş. ("Avea")	Turkey	GSM Operator	81,37	81,37
Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret Anonim Şirketi ("Argela")	Turkey	Telecommunications Solutions	99,96	99,96
Innova Bilişim Çözümleri Anonim Şirketi ("Innova")	Turkey	Telecommunications Solutions	99,96	99,96
Assist Rehberlik ve Müşteri Hizmetleri Anonim Şirketi ("AssistTT")	Turkey	Call Centre and Customer Relations	99,96	99,96
Sebit Eğitim ve Bilgi Teknolojileri A.Ş. ("Sebit")	Turkey	Web Based Learning	99,96	99,96
Argela - USA. Inc.	USA	Telecommunication Solutions	99,96	99,96
Sebit LLC	USA	Web Based Learning	99,96	99,96
IVEA Software Solutions FZ-LLC ("IVEA")	UAE	Telecommunication Solutions	99,96	99,96
SOBEE Yazılım Ticaret Limited Şirketi ("SOBEE")	Turkey	Software gaming services	99,96	99,96

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

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

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

The number of personnel of the Group as at 30 September 2010 and 31 December 2009 is respectively 33.750 and 34.086.

Condensed consolidated financial statements were approved by the Board of Directors of the Company and authorized for issue on 20 October 2010. The general assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

#### 2. Basis of preparation 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

Excluding the subsidiaries incorporated outside of Turkey, the Group maintains its books of account and prepares its 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.

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

### **Notes to unaudited condensed consolidated financial statements (continued)**

**As at 30 September 2010**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated.

All other currencies are also expressed in thousands)

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

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

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

In accordance with article 5 of the communique numbered XI-29, companies should apply the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). However, again in accordance with the provisional clause 2 of the same communique adoption of the IFRS as adopted by the EU is postponed until the Turkish Accounting Standards Board (TMSK) declares the differences between the IFRS as adopted by the EU and the IFRS as adopted by the International Accounting Standards Board (IASB). Thus, as at and for the period ended 30 September 2010, the Group prepared its condensed consolidated financial statements in accordance with International Accounting Standards ("IAS") No. 34 "Interim Financial Reporting" as adopted by the IASB.

Interim condensed consolidated financial statements of the Group do not include the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Group's annual financial statements as of 31 December 2009.

The condensed consolidated financial statements are based on the statutory records of the consolidated subsidiaries, with adjustments and reclassifications for the purpose of fair presentation in accordance with the Accounting Standards of the CMB and are presented in TL. Such adjustments mainly comprise accounting for deferred taxation, provision for doubtful receivables, accounting for the depreciation charge of property, plant and equipment according to lower of useful life and concession periods, accounting for expense accruals, accounting of tangible and intangible assets in accordance with International Financial Reporting Interpretations Committee ("IFRIC") 12, effect of fair value accounting of minority put option liability effects of application for long-term employee benefits according to International Accounting Standards ("IAS") 19, effect of accounting of derivative financial instruments in accordance with IAS 39, accounting for provisions and the effects of application of IFRS 3 "Business Combinations".

As at 30 September 2010 and 31 December 2009, the consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments and minority put option liability, which have been reflected at their fair values.

##### **Reclassifications made to 30 September 2009 financial tables**

Certain reclassifications have been made on the condensed consolidated income statements as at 30 September 2009 to provide consistency with the condensed consolidated income statement as at 30 September 2010.

Interest component of severance pay expenses, which was classified under cost of sales, marketing, sales and distribution expenses and general administrative expenses amounting to TL 35.844, TL 3.720 and TL 14.149 (30 June 2009 – TL 22.806, TL 2.619 ve TL 10.384), respectively have been reclassified to financial expenses for the period ended 30 September 2009.

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

### **Notes to unaudited condensed consolidated financial statements (continued)**

#### **As at 30 September 2010**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated.

All other currencies are also expressed in thousands)

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

### **2.2 Changes in accounting policies**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of annual financial statements for the year ended 31 December 2009, except for the adoption of new standards and interpretations as of 1 January 2010, noted below:

#### *Adoption of new and revised international financial reporting standards*

#### **The new standards which are effective as of 1 January 2010 and changes and interpretations of current standards are as follows:**

New standards and changes that do not have an effect on the financial position or the performance of the Group are summarized below;

Amendments to IFRS 2 'Group cash settled sharebased Payment Transactions': The amendment does not have an impact on group's financial statements.

IFRS 3, 'Business Combinations' (Revised) and IAS 27, ' and Separate Financial Statements' (Amended):

IAS 39 Financial Instruments: Recognition and Measurement – 'Eligible Hedged Items': The amendment does not have an impact on Group's financial statements.

IFRIC 17 'Distributions of Non-cash Assets to Owners': The amendment does not have an impact on Group's financial statements.

Amendments to IFRSs (issued in 2008): The amendments does not have an impact on Group's financial statements.

Amendments to IFRSs (issued in 2009): The amendments does not have an impact on Group's financial statements.

#### **New and amended standards and interpretations issued that are effective subsequent to 31 December 2010 year-end (these amendments have not been agreed by European Union yet):**

IFRIC 9, 'Reassessment of Embedded Derivatives' (effective for the periods 1 January 2013 and after): The amendment does not have an impact on Group's financial statements.

IFRS 9 Financial Instruments (Effective for periods beginning on or after 1 January 2013), brings new criterion for the classification and valuation of financial assets. Group is assessing the effects of the amendment.

IAS 24 Related Party Disclosures (Revised) (Effective for periods beginning on or after 1 January 2011): Group will apply the amendment in the notes to the financial statements for the periods beginning on and after 1 January 2011.

IAS 32 Classification of Rights Issues (Amendment) (Effective for periods beginning on or after 1 February 2010): The amendment does not have an impact on Group's financial statements.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment) (Effective for periods beginning on or after 1 January 2011, with earlier application permitted): The amendment does not have an impact on Group's financial statements.

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

### **Notes to unaudited condensed consolidated financial statements (continued)**

**As at 30 September 2010**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated.

All other currencies are also expressed in thousands)

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

##### **2.2 Changes in accounting policies (continued)**

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (Effective for periods beginning on or after 1 July 2010, with earlier application permitted). The amendment does not have an impact on Group's financial statements.

IFRS 1 Limited exemption in presentation of IFRS 7 notes (Effective for periods beginning on or after 1 July 2010, with earlier application permitted) (Amendment): The amendment does not have an impact on Group's financial statements.

##### **2.3 Basis of consolidation**

As of 30 September, 2010, the condensed consolidated financial statements include the financial results of Türk Telekom, TNet, Avea, Innova, Argela, AssisTT, Sebit, Argela - USA Inc, IVEA, Sebit LLC and SOBEE. Control is normally evidenced when the Group 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 income statement 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 members of the Group. The condensed consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are prepared for the same chart of accounts as 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. As at 30 September 2010, the minority interest in TNet, Innova, Argela, AssisTT, Sebit, Argela USA Inc., IVEA, Sebit LLC and SOBEE have not been presented separately in the consolidated financial statements due to their immateriality.

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, which is being presented separately within equity, is reclassified as minority put option liability at each reporting date after appropriation to the minority interest of its share of recognized income and expense for the year. The value of the minority interest reclassified as minority put option liability, is re-measured to the fair value of the put option calculated at each reporting date, and the effect of the re-measurement is reflected in equity, based on the Group's policy on the accounting for the acquisition of minority interest.

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

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Notes to unaudited condensed consolidated financial statements (continued)

As at 30 September 2010

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated.

All other currencies are also expressed in thousands)

#### 3. Seasonal changes in the operations

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

#### 4. Earnings per share

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

	<b>For the nine month period ended 30 September 2010</b>	<b>For the period between 1 July – 30 September 2010</b>	For the nine month period ended 30 September 2009	For the period between 1 July – 30 September 2009
Weighted average number of shares outstanding during the period (in number)	<b>350.000.000.000</b>	<b>350.000.000.000</b>	350.000.000.000	350.000.000.000
Net profit for the period attributable to equity holders of parent	<b>1.891.739</b>	<b>744.463</b>	1.368.722	547.770
Earnings per share (in full kuruş)	<b>0,5405</b>	<b>0,2127</b>	0,3911	0,1565

**Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

**Notes to unaudited condensed consolidated financial statements (continued)**

**As at 30 September 2010**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated.

All other currencies are also expressed in thousands)

**5. Segment reporting**

The Group has two main segments: Fixed line and GSM. Fixed line services are provided by Türk Telekom, TNet, Argela, Innova, Sebit, Sobee and AssistTT whereas GSM service is provided by Avea. Since information used in the Group management reporting is consistent with consolidated balance sheet and consolidated income statement the Group does not need to perform reconciliation between the consolidated income statement, consolidated balance sheet and the segment reporting disclosure.

	Fixed line		Mobile		Eliminations		Consolidated	
	1 January- 30 September 2010	1 January- 31 September 2009	1 January- 30 September 2010	1 January- 30 September 2009	1 January- 30 September 2010	1 January- 30 September 2009	1 January- 30 September 2010	1 January- 30 September 2009
<b>Revenue</b>								
Domestic PSTN	3.181.611	3.519.983	-	-	-	-	3.181.611	3.519.983
ADSL	1.829.258	1.564.808	-	-	-	-	1.829.258	1.564.808
GSM	-	-	1.967.239	1.849.948	-	-	1.967.239	1.849.948
IFRIC12 revenue	35.789	3.488	-	-	-	-	35.789	3.488
Data service revenue	278.013	220.270	-	-	-	-	278.013	220.270
International interconnection revenue	125.504	148.433	-	-	-	-	125.504	148.433
Domestic interconnection revenue	210.416	173.017	-	-	-	-	210.416	173.017
Leased lines	370.566	424.532	-	-	-	-	370.566	424.532
Rental income from GSM operators	75.473	88.959	-	-	-	-	75.473	88.959
Other	99.676	55.778	-	-	-	-	99.676	55.778
Eliminations	-	-	-	-	(216.644)	(231.671)	(216.644)	(231.671)
<b>Total revenue</b>	<b>6.206.306</b>	<b>6.199.268</b>	<b>1.967.239</b>	<b>1.849.948</b>	<b>(216.644)</b>	<b>(231.671)</b>	<b>7.956.901</b>	<b>7.817.545</b>
Cost of sales and operating expenses (excluding depreciation and amortization)	(3.189.731)	(3.147.462)	(1.764.233)	(1.789.240)	219.160	232.177	(4.734.804)	(4.704.525)
Other income / (expense)	258.858	193.482	34.285	5.818	(4.618)	(1.362)	288.525	197.938
Depreciation and amortization	(652.755)	(776.199)	(476.190)	(424.457)	1.236	661	(1.127.709)	(1.199.995)
Earnings before interest, tax, depreciation and amortization ("EBITDA")	3.275.433	3.245.288	237.291	66.526	(2.102)	(856)	3.510.622	3.310.958
Doubtful receivable provision expense	157.910	201.438	65.399	61.320	-	-	223.308	262.758
Capital expenditure	641.702	852.734	191.297	912.749	(1.586)	(19.732)	831.413	1.745.751

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

**Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

**Notes to unaudited condensed consolidated financial statements (continued)**

**As at 30 September 2010**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated.

All other currencies are also expressed in thousands)

**5. Segment reporting (continued)**

	Fixed line		GSM		Eliminations		Consolidated	
	1 July- 30 September 2010	1 July- 31 September 2009	1 July- 30 September 2010	1 July- 30 September 2009	1 July- 30 September 2010	1 July- 30 September 2009	1 July- 30 September 2010	1 July- 30 September 2009
<b>Revenue</b>								
Domestic PSTN	1.077.115	1.124.113	-	-	-	-	1.077.115	1.124.113
ADSL	611.308	543.744	-	-	-	-	611.308	543.744
GSM	-	-	677.214	692.828	-	-	677.214	692.828
IFRIC12 revenue	22.086	69	-	-	-	-	22.086	69
Data service revenue	101.568	76.277	-	-	-	-	101.568	76.277
International interconnection revenue	43.643	44.202	-	-	-	-	43.643	44.202
Domestic interconnection revenue	72.887	67.868	-	-	-	-	72.887	67.868
Leased lines	115.207	152.025	-	-	-	-	115.207	152.025
Rental income from GSM operators	24.009	31.208	-	-	-	-	24.009	31.208
Other	34.574	17.296	-	-	-	-	34.574	17.296
Eliminations	-	-	-	-	(72.649)	(81.448)	(72.649)	(81.448)
<b>Total revenue</b>	<b>2.102.397</b>	<b>2.056.802</b>	<b>677.214</b>	<b>692.828</b>	<b>(72.649)</b>	<b>(81.448)</b>	<b>2.706.962</b>	2.668.182
Cost of sales and operating expenses (excluding depreciation and amortization)	(1.078.441)	(1.003.423)	(572.473)	(684.164)	74.977	83.883	(1.575.937)	(1.603.704)
Other income / (expense)	102.684	72.226	25.357	2.448	(1.057)	(739)	126.984	73.934
Depreciation and amortization	(216.281)	(188.501)	(156.997)	(147.798)	412	239	(372.866)	(336.060)
Earnings before interest, tax, depreciation and amortization ("EBITDA")	1.126.640	1.125.605	130.098	11.112	1.271	1.696	1.258.009	1.138.412
Doubtful receivable provision expense	56.319	37.355	19.045	28.965	-	-	75.364	66.320
Capital expenditure	242.723	354.474	71.982	264.468	(3.183)	(21.344)	311.522	597.598

In segment reporting note, the Company reclassified other revenue amounting to TL 4.546 to data service revenue for the period ended 30 June 2010.

**Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

**Notes to unaudited condensed consolidated financial statements (continued)**

**As at 30 September 2010**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated.

All other currencies are also expressed in thousands)

**5. Segment reporting (continued)**

	<b>Nine months ended 30 September 2010</b>	<b>Three months ended 30 September 2010</b>	Nine months ended 30 September 2009	Three months ended 30 September 2009
Fixedline segment EBITDA	3.275.433	1.126.640	3.245.288	1.125.605
GSM segment EBITDA	237.291	130.098	66.526	11.112
Inter-segment eliminations	(2.102)	1.271	(856)	1.696
<b>Consolidated EBITDA</b>	<b>3.510.622</b>	<b>1.258.009</b>	<b>3.310.958</b>	<b>1.138.413</b>
Financial income	417.037	101.279	252.082	75.173
Financial expenses (-)	(388.872)	(65.851)	(653.336)	(205.379)
Depreciation and amortisation	(1.127.709)	(372.866)	(1.199.995)	(336.060)
<b>Consolidated profit before tax</b>	<b>2.411.078</b>	<b>920.571</b>	<b>1.709.709</b>	<b>672.147</b>

<b>30 September 2010</b>	<b>Fixed line</b>	<b>GSM</b>	<b>Eliminations</b>	<b>Total</b>
Total segment assets	<b>12.046.254 (*)</b>	<b>4.709.909 (**)</b>	<b>(3.312.770)</b>	<b>13.443.393</b>
Total segment liabilities	<b>(5.702.678)</b>	<b>(4.839.017)</b>	<b>2.787.064 (***)</b>	<b>(7.754.631)</b>

<b>31 December 2009</b>	<b>Fixed line</b>	<b>GSM</b>	<b>Eliminations</b>	<b>Total</b>
Total segment assets	11.061.499 (*)	4.907.831 (**)	(2.567.968)	13.401.362
Total segment liabilities	(5.405.444)	(4.587.377)	2.013.425 (***)	(7.979.396)

(\*) Includes goodwill amounting to TRY 19.477 (2009 – TRY 19.477).

(\*\*) Includes goodwill amounting to TRY 29.695 (2009 – TRY 29.695).

(\*\*\*) Includes minority put option liability amounting to TRY 543.103 (2009 – TRY 543.103).

**Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

**Notes to unaudited condensed consolidated financial statements (continued)**

**As at 30 September 2010**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated.

All other currencies are also expressed in thousands)

**6. Cash and cash equivalents**

	<b>30 September 2010</b>	31 December 2009
Cash on hand	<b>1.751</b>	964
Cash at banks – Demand deposits	<b>311.309</b>	276.441
Cash at banks – Time deposits	<b>604.228</b>	476.168
Other	<b>161</b>	120
	<b>917.449</b>	753.693

Time deposits of the Group as at 30 September 2010 are all short-term, maturing within one month and denominated in both foreign currencies and TL. The effective interest rates are between 4,00% - 8,75% for TL deposits, 0,05% - 2,40% for USD deposits and 0,36% - 2,40% for Euro deposits. (31 December 2009 - 4% - 10,80% for TL deposits, 0,17 % - 1,50% for USD deposits and 0,29% for Euro deposits). Time deposits held in foreign currencies are disclosed in Note 13.

As at 30 September 2010, TL 174.248 (31 December 2009 - TL 189.404) included in time deposits represents advances received from the Turkish Armed Forces related to the Turkish Armed Forces Integrated Communication Systems (TAFICS) projects. The interest income from these time deposits are added to the advances received and are not reflected in the consolidated income statement as per agreement between parties (Note 10). These time deposits are restricted and can only be used for payments related to TAFICS projects.

As at 30 September 2010, a demand deposit amounting to TL 280.824 (31 December 2009 – TL 236.245) is also 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. In addition, TL 3.142 of demand deposits (31 December 2009 – TL 3.469) arising from collections through automated teller machine ("ATM") is not available for use at 30 September 2010.

Cash and cash equivalents included in the consolidated cash flow statement are as follows:

	<b>1 January – 30 September 2010</b>	1 January – 30 September 2009
Cash and cash equivalents	<b>917.449</b>	856.005
- TAFICS projects	<b>(174.248)</b>	(191.691)
- Collection protocols	<b>(280.824)</b>	(214.740)
- ATM collection	<b>(3.142)</b>	(3.380)
- Other	<b>(6.699)</b>	(7.184)
	<b>452.536</b>	439.010

Within the context of the Bank Account Pledge Agreement signed by Avea, 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. In addition, Avea provided an account pledge over all of its bank accounts amounting to TL 506.426 at 30 September 2010 (31 December 2009 - TL 337.947) in favor of Security Trustee (Note 8).

**Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

**Notes to unaudited condensed consolidated financial statements (continued)**

**As at 30 September 2010**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated.

All other currencies are also expressed in thousands)

**7. Related party balances and transactions**

All intra-group transactions and balances including intra-group unrealized profits and losses are eliminated in the condensed consolidated statement of income for consolidation purposes and are not disclosed in this note. Sales of goods or services to related parties were made at the Group's usual list prices. Institutions under state control are defined as related parties due to 30% ownership and the golden share of the Treasury.

Details of balances as at 30 September 2010 and 31 December 2009 between the Group and other related parties are disclosed below:

	<b>30 September 2010</b>	31 December 2009
<b>Trade receivables due from other related parties (trade receivables, short term)</b>		
State controlled entities	<b>133.429</b>	80.122
Cell-C Ltd. (1)	-	2
Oger Telecom Yönetim Hizmetleri Limited Şirketi ("OTYH") (2)	<b>89</b>	-
PTT	<b>3.218</b>	3.051
Saudi Telecom Company ("STC") (3)	<b>4.897</b>	7.050
Other	<b>7</b>	767
	<b>141.640</b>	90.992
<b>Trade payables due to related parties (trade payables , short term)</b>		
State controlled entities	<b>8.705</b>	18.811
OTYH (2)	<b>3.733</b>	3.558
PTT	<b>10.449</b>	1.063
Other	<b>857</b>	388
	<b>23.744</b>	23.820

(1) a subsidiary of Oger Telecom

(2) an affiliate of Oger Telecom

(3) shareholder of Oger Telecom

**Transactions with shareholders**

During the period ended 30 September 2010 the Company made dividend payment to the Treasury at the amount of TL 476.914 (30 September 2009 – TL 447.047). The dividend payment to OTAŞ during the period ended 30 September 2010 is TL 874.342 (30 September 2009 – 819.586TL).

Avea is required under the terms of Avea's concession agreement to pay 15% share to the Treasury (the Treasury Share) of its monthly gross revenue. For the six months period ended 30 September 2010, Avea expensed TL 274.487 (30 September 2009 – 266.582) as Treasury Share expense. Treasury Share accrual amounted to TL 36.970 (31 December 2009 - 35.444 TL) as at 30 September 2010 (Note 10).

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Notes to unaudited condensed consolidated financial statements (continued)

As at 30 September 2010

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated.

All other currencies are also expressed in thousands)

#### 7. Related party balances and transactions (continued)

##### *Transactions with other related parties (continued)*

Postage services rendered by PTT to the Group during the period ended 30 September 2010 amounted to TL 75.292 (30 September 2009 - TL 88.142) while commission for collection of invoices and other services amounted to TL 20.591 (30 September 2009 - TL 22.238).

Operational lease payment made to PTT by the Company as part of the lease agreement amounts to TL 36.841 (30 September 2009 –TL 34.658).

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

The guarantees given by the Company for the long-term financing of Avea are explained in Note 8.

Company guaranteed EUR 8.000 to support financing of Çalık Enerji Telekomünikasyon Anonim Şirketi ("CETEL").

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

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

	1 January- 30 September 2010	1 July- 30 September 2010	1 January- 30 September 2009	1 July- 30 September 2009
Short-term benefits	30.110	7.185	23.889	7.693
Long-term defined benefit plans	588	201	533	194
	<b>30.698</b>	<b>7.386</b>	24.422	7.887

OTMSC charged to the Company a management fee amounting to TL 9.663 and an expense fee for an amount of TL 297 for the six months period ended 30 September 2010 (2009 – TL 9.665), based on the contract between OTMSC and the Company. OTMSC's ultimate shareholder is Saudi Oger. Significant portion this payment represents salaries of key management personnel. The contract has been renewed on 20 October 2009 for an annual charge of USD 8.500 for the three years.

**Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

**Notes to unaudited condensed consolidated financial statements (continued)**

**As at 30 September 2010**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated.

All other currencies are also expressed in thousands)

**8. Borrowings**

Bank borrowings used by the Group during the period ended 30 September 2010 amounts to 10.648.459 TL (30 September 2009- 11.510.768 TL).

The total principal repayment of bank borrowings and financial leases during the period ended 30 September 2010 amounts to 10.446.341 TL (30 September 2009- 10.503.804 TL).

**Bank borrowings**

	30 September 2010			31 December 2009		
	Weighted average effective interest rate%	Original amount	TRY equivalent	Weighted average effective interest rate%	Original amount	TRY equivalent
<b>Short-term financial liabilities:</b>						
TRY financial liabilities with fixed interest rates	6,21	530.918	530.918	7,54	1.571.182	1.571.182
USD financial liabilities with variable interest rates	3,17	70.000	101.584	3,23	70.000	105.399
<b>Interest accruals:</b>						
TRY financial liabilities with fixed interest rates		2.270	2.270		22.087	22.087
USD financial liabilities with fixed interest rates		1.435	2.083		140	211
USD financial liabilities with variable interest rates		3.021	4.384		5.705	8.590
EUR financial liabilities with variable interest rates		6.010	11.873		389	840
<b>Short-term portion of long-term financial liabilities:</b>						
USD financial liabilities with fixed interest rates	2,94	130.927	190.001	2,90	12.994	19.565
USD financial liabilities with variable interest rates (*)	3,26	299.543	434.697	3,14	168.523	253.745
EUR financial liabilities with variable interest rates (**)	4,07	185.593	366.620	4,44	80.183	173.219
<b>Total short-term liabilities</b>			<b>1.644.430</b>			<b>2.154.838</b>
<b>Long-term borrowings:</b>						
USD financial liabilities with fixed interest rates	2,94	126.319	183.314	2,90	80.038	120.513
USD financial liabilities with variable interest rates (*)	3,26	657.410	954.033	3,14	632.005	951.610
EUR financial liabilities with variable interest rates (**)	4,07	581.023	1.147.755	4,44	326.430	705.186
<b>Total long-term liabilities</b>			<b>2.285.102</b>			<b>1.777.309</b>

(\*) Libor + (varies between 2,15 – 3,75) spread

(\*\*) Eurolibor + (varies between 0,93– 3,75) spread

The maturities of foreign currency and TRY denominated financial liabilities are as follows:

	30 September 2010					31 December 2009				
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 Years	Total	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 Years	Total
TRY financial liabilities with fixed interest rates	533.188	-	-	-	533.188	1.593.269	-	-	-	1.593.269
USD financial liabilities with fixed interest rates	16.705	175.379	107.162	76.152	375.398	466	19.310	120.513	-	140.289
USD financial liabilities with variable interest rates	137.151	403.514	954.033	-	1.494.698	119.414	248.320	951.610	-	1.319.344
EUR financial liabilities with variable interest rates	157.015	221.478	1.035.814	111.941	1.526.248	7.580	166.479	705.186	-	879.245
	<b>844.059</b>	<b>800.371</b>	<b>2.097.009</b>	<b>188.093</b>	<b>3.929.532</b>	<b>1.720.729</b>	<b>434.109</b>	<b>1.777.309</b>	<b>-</b>	<b>3.932.147</b>

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Notes to unaudited condensed consolidated financial statements (continued)

As at 30 September 2010

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated.

All other currencies are also expressed in thousands)

#### 8. Borrowings (continued)

The following borrowings are secured by a security package as at 30 September 2010 and 31 December 2009:

	30 September 2010			31 December 2009		
	USD	EURO	TL equivalent	USD	EURO	TL equivalent
Borrowings secured by security package	554.284	30.988	865.591	701.490	37.228	1.136.658

Before the merger of the Avea's former subsidiary of Aycell Haberleşme ve Pazarlama Hizmetleri A.Ş. ("Aycell") with Aria İletişim Hizmetleri A.Ş. ("Aria", former subsidiary of İş-TİM Telekomünikasyon Hizmetleri A.Ş.), Aria was granted financing from its network suppliers in 2001 for the acquisition of its property and equipment secured with a security package created in favor 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:

- Commercial Enterprise Pledge on all movable fixed assets of commercial enterprise of İş-TİM 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 TRY 1.000.000 (equivalent to USD 689.085 as at 30 September 2010). At 30 September 2010, the total Senior Secured Financial Indebtedness of Avea amounts to approximately TRY 865.591 (31 December 2009 - TRY 1.136.658).
- Account pledges on all the bank accounts of Avea, which do not restrict operational usage of the accounts in the normal course of business (30 September 2010 - TRY 506.426; 31 December 2009- TRY 337.947)
- Mortgage on the building of AVEA in Ümraniye amounting up to USD 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 USD 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.

In accordance with Amendment Agreement signed between Avea and the lenders on 25 June 2009, financial covenants (ratios) which were under Avea's responsibilities due to its borrowing, has been abolished effective from 30 June 2009 upon the early payment of Avea amounting to USD 621.297 and EUR 32.972 as at 28 September 2009. Such early payment has been financed by long term shareholder loan financed by Türk Telekom. As at 30 September 2010, financial covenants of Türk Telekom are as follows;

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Notes to unaudited condensed consolidated financial statements (continued)

As at 30 September 2010

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated.

All other currencies are also expressed in thousands)

#### 8. Borrowings (continued)

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 realized in the last four accounting period (within four quarters), ("Türk Telekom consolidated EBITDA) to the payment obligations in the related period excluding the principal repayments.
- b) Türk Telekom consolidated net debt to Türk Telekom consolidated EBITDA Ratio should be 2,00 at maximum.

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 USD 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 favor of the lenders as collateral that should not be diluted with new securities created over the same assets.

The Group has maintained the financial and general undertakings mentioned above as at 30 September 2010. Other than these undertakings, the Group has financial and general undertakings to be maintained due to its other borrowings. The Company meets these covenants as at 30 September 2010.

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

- a) USD 300.000 "Contingent Equity Support" to be drawn when cash generated by Avea is insufficient to pay its debt service,
- b) USD 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 favour of the Security Trustee as a continuing security for the fulfillment of the secured obligations.
- e) Company also provides extra support on demand of Avea due to operational or financial shortage amounting to USD 450.000. (the support has been wholly utilized as at 30 September 2010)
- f) Türk Telekom provides support amounting to EURO 214.000 for financing of 3<sup>rd</sup> Generation (3G) licence fee. (the support has been wholly utilized as at 30 September 2010)
- g) Türk Telekom provides support amounting to USD 250.000 for financing acquisition of assets under Ericsson 2<sup>nd</sup> Generation (2G) and 3<sup>rd</sup> Generation (3G) contract. (USD 175.703 has been utilized as at 30 September 2010)

**Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

**Notes to unaudited condensed consolidated financial statements (continued)**

**As at 30 September 2010**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated.

All other currencies are also expressed in thousands)

**9. Tangible and intangible assets**

The amount of tangible and intangible assets purchased during the nine-month period ended 30 September 2010 is TL 831.413 (September 30, 2009 – TL 1.749.693).

The cost of tangible and intangible assets sold during the nine-month period ended 30 September 2010 amounted to TL 23.922 (September 30, 2009 – TL 68.085).

**10. Other current liabilities**

	<b>30 September 2010</b>	31 December 2009
Expense accruals	<b>307.120</b>	202.690
Taxes and duties payable	<b>286.688</b>	221.436
Advances received (3)	<b>210.408</b>	205.061
Deferred revenue (2)	<b>103.881</b>	102.752
Accrual for Universal Service Fund (1)	<b>73.807</b>	97.364
Accrual for capital expenditures (4)	<b>66.297</b>	162.072
Social security premiums payable	<b>39.123</b>	19.306
Accrual for the Treasury Share	<b>36.970</b>	35.444
Accrual for contribution to be paid to the ICTA	<b>35.136</b>	49.348
Due to personnel	<b>17.555</b>	23.624
Other payables	<b>14.657</b>	6.373
	<b>1.191.642</b>	1.125.470

- 1) According to the article numbered 5369 related with "International Service Fund" published on June 16, 2005, Türk Telekom and TNet will contribute 1% of their net revenues of each year to the Ministry of Transportation as Universal Service Fund. The contribution is payable by the end of April of the following year.
- 2) Deferred revenue is composed of the invoiced but unconsumed minutes' sales value.
- 3) 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).
- 4) Capital expenditure accruals represent the unreceived invoices for the fixed asset purchases that have been received within the agreement.

**Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

**Notes to unaudited condensed consolidated financial statements (continued)**

**As at 30 September 2010**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated.

All other currencies are also expressed in thousands)

**11. Dividend and accumulated deficit**

In the nine-month period ended 30 September 2010, net dividend payment -of the 2009 net income- amounting to TRY 1.589.712 (earning per share 0,4542 in full kuruş on a gross basis) has been committed and fully paid in cash.

In the nine-month period ended 30 September 2009, net dividend payment -of the 2008 net income- amounting to TRY 1.490.157 (earning per share 0,4258 in full kuruş on a gross basis) has been committed and fully paid in cash.

**12. Commitments and contingencies**

Guarantees received and guarantees given by the Group are as follows:

		30 September 2010		31 December 2009	
		Original amount	TL	Original amount	TL
Guarantees received	USD	247.319	358.909	186.841	281.326
	TL	501.877	501.877	490.591	490.591
	EUR	83.919	165.774	64.008	138.276
		<b>1.026.560</b>		<b>910.193</b>	
Guarantees given (*)	USD	152.323	221.052	151.987	228.847
	TL	159.056	159.056	116.151	116.151
	EUR	13.549	26.764	13.300	28.732
		<b>406.871</b>		<b>373.730</b>	

(\*) USD 151.500 of the amount (31 December 2009 - USD 151.500) is related with the guarantee provided to the ICTA by Avea with respect to the Avea Concession Agreement and EUR 12.840 (31 December 2009 – EUR 12.840) is related with the guarantee provided for 3G license.

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Notes to unaudited condensed consolidated financial statements (continued)

As at 30 September 2010

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated.

All other currencies are also expressed in thousands)

#### 12. Commitments and contingencies (continued)

The Company's guarantee, pledge and mortgage (GPM) position as at 30 September 2010 and 31 December 2009 is as follows:

GPMs given by the Group	30 September 2010	31 December 2009
A. GPMs given on behalf of the Company's legal personality	1.698.467	1.478.950
B. GPMs given in favor of subsidiaries included in full consolidation	1.268.780	1.417.766
C. GPMs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	15	15
D. Other GPMs	15.803	17.282
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	15.803	17.282
iii. GPMs given in favor of third party companies not in the scope of C above	-	-
<b>Total</b>	<b>2.983.065</b>	<b>2.914.013</b>

GPMs given by the Group as at 30 September 2010 are equivalent to 52,44% of the Company's equity (31 December 2009 – 53,74%).

#### Legal proceedings of Türk Telekom

##### Monetary penalties of Ministry of Finance

The Company's 2005, 2006, 2007 and 2008 financial periods have been tax audited by Ministry of Finance General Directorate of Revenue and tax audit report has been notified to Türk Telekom by 13.09.2010.

Below summarized matters in the tax audit reports have been criticized in terms of Value Added Tax and Withholding Income Tax:

##### Value Added Tax to be calculated because of International Invoices

For the telecommunication and related services that are rendered to and procured from international customers and suppliers by Turk Telekom within the standards and organizations that have been set by International Telecommunication Union (ITU), international revenues from and expenditures have been subject to "Clearing" process in terms of country and country groups and based on this outstanding receivables and/or debts have been determined. As a result of the tax audit, it has been determined that the Company has calculated the VAT amount emerged consequent to these transactions, using offsetting method instead of taking gross sales revenue and expense into consideration. Total reconciliation before assessment value of Value Added Tax for 2005, 2006, 2007 and 2008 is assumed to be 47.554 TL and it is decided to apply a tax fine of 71.331 TL about these reconciliations before assessment. Once the imposed tax is finalized to be paid during the taxation period, discount will be taken into consideration as Value Added Tax deductible.

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

### **Notes to unaudited condensed consolidated financial statements (continued)**

**As at 30 September 2010**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated.

All other currencies are also expressed in thousands)

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

##### **Legal proceedings of Türk Telekom (continued)**

##### **Monetary penalties of Ministry of Finance (continued)**

##### **Withholding Income Tax not deducted from Dividend Payments**

Withholding income taxes to be imposed to the Company has been fore sighted as a result of the facts that The Company made advance dividend payments to the Treasury, which were not declared or made subject to withholding tax and also net dividend payment has been used as a base for tax calculation instead of the gross payment to the Treasury. Within this frame it has been fore sighted that for the year 2005 90.344 TL tax to be imposed with 134.516 TL tax fine and for the year 2006 66.667 TL tax to be imposed with 100.000 TL tax fine. On the other hand, the Company has retrospectively declared the abovementioned taxes in the following years and these extra tax payments have been decided to be refunded to the Company. Within this frame, extra tax amount of 36.302 TL that has been paid in 2005 and 131.611 TL that has been paid in 2006 are fore sighted to be written-off.. When tax amount to be refunded and tax amount to be imposed is compared, it is understood that tax amount to be refunded is 10.902 TL more than tax amount to be imposed thereby this amount should be paid back to the Company.

##### **Donations made to the Ministry of National Education**

Based on the protocols that are made between Türk Telekom and Ministry of National Education, the Company has undertaken the construction of schools, sport and conference halls, dormitories and attachments to these which their passion to be given to the Treasury and rights of use to Ministry of National Education free of charge. Value added taxes for the constructed schools that have been donated in 2006, 2007 and 2008, will not be considered as tax discounts and 24.393 TL Value Added Tax conciliation before assessment and 36.601 TL tax fine is foresighted to be imposed. On the other hand, tax amounts in reports that are non-deductible are pointed out that they can be considered to be expense or cost in income and corporate tax applications.

There has been an inquiry for agreement after conciliation before assessment in 22 September 2010 regarding declared tax that has been prepared in 13 September 2010 within the framework of tax audits and about the fine releases on subjects have been pointed out above.

For the above-mentioned cases, a provision amounting to TL 62.435 has been booked in the consolidated financial statements as at 30 September 2010.

##### **VAT Penalties**

In 2006 and 2007 the Ministry of Finance made tax audits on roaming invoices issued to Aycell and İş-Tim. Since Aycell and İş-Tim did not calculate 18% reverse charged VAT over the roaming invoices issued by the foreign roaming operators, the Ministry of Finance criticized Avea in their report and issued tax notifications. The tax notifications regarding Aycell and İş-Tim were announced officially in December 2006 and June 2007 to Avea. The total amount of tax notifications, which were sent to Avea, were in December 2006 full TL 46 and in June 2007 full TL 722. Avea filed court cases against the Ministry of Finance. The cases have not been concluded as 30 September 2010. Furthermore, the Ministry of Finance made a tax audit for the period February 2004 - July 2009 and sent tax notifications amounting to TRY 18.696 to Avea on October 21 and 22, 2009.

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

### **Notes to unaudited condensed consolidated financial statements (continued)**

**As at 30 September 2010**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated.

All other currencies are also expressed in thousands)

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

##### **Legal proceedings of Avea (continued)**

##### **Monetary penalties of Ministry of Finance (continued)**

Avea applied for settlement for reverse charged VAT for the period 2004 - July 2009. Based on the settlement, Avea paid TL 570 at 20 September 2010. Avea has accounted for a provision in its books amounting to TL 189 as of 30 September 2010.

Based on the ruling dated March 24, 2005 from the Ministry of Finance, Presidency of Revenue Administration, Avea did not charge to subscribers any VAT related to roaming charges paid to international GSM operators on the calls initiated abroad from September 2006 onwards.

Based on the Tax Investigation Reports from the Presidency of Large Taxpayers Office, Audit Group Management, Avea received the following notification on October 21 and 22, 2009: Avea should calculate Value Added Tax ("VAT") on charges paid to international GSM operators for the calls initiated by subscribers abroad (roaming), charge VAT to subscribers and collect them from subscribers. Based on this notification, Avea has been asked to pay for the principal of VAT amounting to TRY 4.948 for the period from September 2006 to July 2009. Based on the ruling dated March 24, 2005 from the Ministry of Finance, Presidency of Revenue Administration, Avea did not charge to subscribers any VAT related to roaming charges paid to international GSM operators on the calls initiated abroad from September 2006 onwards. Avea opened 5 court cases for VAT on November 19, 2009 (1 court case against Boğaziçi Corporate Tax Office and 4 court cases against Presidency of Large Taxpayers Office). Avea has accounted for a provision in its books amounting to TL 459 as of 30 September 2010 (31 December 2009- TL 5.918)

##### **SCT Penalty**

Based on the Tax Investigation Reports dated 2 October 2009 from the Presidency of Large Taxpayers Office, Audit Group Management, Avea received the following notification on October 21 and 22, 2009: Avea should calculate Special Communication Tax ("SCT") on charges paid to international GSM operators for the calls initiated by subscribers abroad (roaming), charge SCT to subscribers and collect them from subscribers. Based on this notification, Avea has been asked to pay for the principal of SCT amounting to TL 6.872 for the period from September 2006 to July 2009, and for an interest to be calculated until the day of payment.

Based on the ruling dated 24 March 2005 from the Ministry of Finance, Presidency of Revenue Administration, Avea did not charge to subscribers any SCT related to roaming charges paid to international GSM operators on the calls initiated abroad from September 2006 onwards.

Avea applied to settlement on 19 November 2009. The Parties entered into a Settlement Agreement at 20 August 2010. Based on the settlement Avea paid TL 819 at 20 September 2010. Avea has accounted for a provision due to assessment of SCT tax in its books amounting to TL 171 as of 30 September 30 2010 (31 December 2009- TL 11.508).

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

### **Notes to unaudited condensed consolidated financial statements (continued)**

**As at 30 September 2010**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated.

All other currencies are also expressed in thousands)

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

##### **Legal proceedings of Avea (continued)**

###### Treasury Share Calculation Case

Avea filed an arbitration to the ICC International Court of Arbitration against the Turkish Information and Communication Technologies Authority (BTK), Prime Ministry Undersecretariat of Treasury and the Ministry of Transport and Communication on March 10, 2009 with the claim that “deduction of the discounts before the sales made over the invoices from the gross sales is in compliance with the Concession Agreement whilst calculating Treasury Share and Contribution Share to the Universal Service. ICC gave its decision on July 8, 2010. According to this decision the discounts made at the time of sales shall not be subject to Treasury Share Calculations (except for the discounts paid for distributor price protection and as distributor premiums) thus should be netted off from the gross revenue.

However, according to the letter dated July 22, 2010 and the Auditors Report dated May 14, 2010 attached to the letter both prepared by the Republic of Turkey Prime Ministry Undersecretariat of Treasury, Avea is being requested to pay Treasury Share and Contribution Share to Universal Services amounting to TL 22.231 with late payment interest, for the period March 10, 2006 - December 31, 2008 which also includes the discounts made at sales, despite the aforementioned Award of ICC. Avea filed an arbitration to the ICC against BTK, Prime Ministry Undersecretariat of Treasury and the Ministry of Transport and Communication. Additionally, Avea made an objection to the relevant fine and upon such objection, the Court gave a decision for a stay of execution until the conclusion of ICC arbitration. The case is still pending as of the preparation date of the financial statements.

**Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

**Notes to unaudited condensed consolidated financial statements (continued)**

**As at 30 September 2010**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated.

All other currencies are also expressed in thousands)

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

Foreign currency position:

	30 September 2010					31 December 2009				
	TL Equivalent	USD	EUR	GBP	Other	TL Equivalent	USD	EUR	GBP	Other
1. Trade receivables	151.841	65.493	28.752	-	-	164.782	70.278	27.294	-	-
2a. Monetary financial assets (Cash and banks accounts included)	241.718	152.119	10.599	12	-	228.426	136.987	10.256	4	-
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
3. Other	35.668	20.496	2.798	143	51	32.315	15.967	3.789	34	4
<b>4. Current assets (1+2+3)</b>	<b>429.227</b>	<b>238.108</b>	<b>42.149</b>	<b>155</b>	<b>51</b>	<b>425.523</b>	<b>223.232</b>	<b>41.339</b>	<b>38</b>	<b>4</b>
5. Trade receivables	-	-	-	-	-	175	-	81	-	-
6a. Monetary financial assets	-	-	-	-	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
7. Other	70	-	-	-	-	2.303	1.447	21	-	179
<b>8. Non-current assets (5+6+7)</b>	<b>70</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.478</b>	<b>1.447</b>	<b>102</b>	<b>-</b>	<b>179</b>
<b>9. Total assets (4+8)</b>	<b>429.297</b>	<b>238.108</b>	<b>42.149</b>	<b>155</b>	<b>51</b>	<b>428.001</b>	<b>224.679</b>	<b>41.441</b>	<b>38</b>	<b>183</b>
10. Trade payables	248.381	97.815	53.490	335	11	359.943	112.984	87.276	524	12
11. Financial liabilities	1.158.033	532.080	195.342	-	-	567.015	257.703	82.855	-	-
12a. Monetary other liabilities	35.789	9.506	11.134	-	-	159.082	77.392	19.698	-	-
12b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-
<b>13. Short-term liabilities (10+11+12)</b>	<b>1.442.203</b>	<b>639.401</b>	<b>259.966</b>	<b>335</b>	<b>11</b>	<b>1.086.040</b>	<b>448.079</b>	<b>189.829</b>	<b>524</b>	<b>12</b>
14. Trade payables	-	-	-	-	-	-	-	-	-	-
15. Financial liabilities	2.341.547	802.240	595.998	-	-	1.813.792	713.244	342.480	-	-
16 a. Monetary other liabilities	8.344	5.634	85	-	-	16	11	-	-	-
16 b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-
17. Long-term liabilities (14+15+16)	2.349.891	807.874	596.083	-	-	1.813.808	713.255	342.480	-	-
<b>18. Total liabilities (13+17)</b>	<b>3.792.094</b>	<b>1.447.275</b>	<b>856.049</b>	<b>335</b>	<b>11</b>	<b>2.899.848</b>	<b>1.161.334</b>	<b>532.309</b>	<b>524</b>	<b>12</b>
<b>19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(107.014)</b>	<b>(65.972)</b>	<b>(3.555)</b>	<b>-</b>	<b>-</b>
<b>19a. Total asset amount hedged **</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>19b. Total liability amount hedged ***</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>107.014</b>	<b>65.972</b>	<b>3.555</b>	<b>-</b>	<b>-</b>
<b>20. Net foreign currency asset/(liability) position (9-18+19)</b>	<b>(3.362.798)</b>	<b>(1.209.167)</b>	<b>(813.900)</b>	<b>(180)</b>	<b>40</b>	<b>(2.578.861)</b>	<b>(1.002.627)</b>	<b>(494.423)</b>	<b>(486)</b>	<b>171</b>
<b>21. Net asset/(liability) position of foreign currency monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(3.398.535)</b>	<b>(1.229.663)</b>	<b>(816.698)</b>	<b>(323)</b>	<b>(11)</b>	<b>(2.506.465)</b>	<b>(954.069)</b>	<b>(494.678)</b>	<b>(520)</b>	<b>(12)</b>
<b>22. Fair value of FX swap financial instruments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

### **Notes to unaudited condensed consolidated financial statements (continued)**

**As at 30 September 2010**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated.

All other currencies are also expressed in thousands)

#### **14. 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 entered into restructuring interest hedging transaction for the critical term match of the early payment as at 30 September 2009 which has replaced the current interest hedging transaction.

Nominal amounts have been decreased and interest rates have been restructured in order to match the nominal amounts as a result of the early payment as at 30 September 2009 amounting to USD 621.297 and Euro 32.973. USD and EUR denominated principal balances of MTPF have been wholly covered by this new interest rate hedging transaction.

As of 30 September 2010, notional amount that will be due till 30 September 2013 amounts to USD 627.887 and EUR 34.108.

Amendment and restructuring has been designated as cash flow hedge transaction. Avea will pay fixed and receive floating interest for the periods between 31 March 2009 and 30 September 2013.

As of 30 September 2010, fair value of interest rate swap transactions amount to TL 68.468 (31 December 2009 – TL 107.013). As of 30 September 2010, loss on unrealized interest rate swap amounting to TL 54.050 has been recognized under equity reserves. For the period ended 30 September 2010, realized interest rate swap loss amounting to TL 58.326 (31 December 2009 – TL 105.263) and unrealized interest rate swap loss amounting to TL 14.419 have been classified to consolidated condensed income statement.

The Company has entered into a five-part interest rate swap transaction between 28 July 2010 and 3 August 2010 with a maturity date on 4 March 2015 and a total notional amount of USD 255.000, in order to hedge a portion of its variable rate long term bank borrowings. Unrealized interest rate swap gain amounting to TL 214 has been classified to consolidated condensed income statement as at 30 September 2010.

##### **Option contracts**

In 2009, Avea had foreign currency option transactions for which the total current outstanding nominal amount is USD 110.000 with the exercise dates of 26 – 30 March 2010.

Avea has not designated option contracts for hedge accounting. Accordingly, as of 30 September 2010 fair value loss amounting to TL 660 has been included in the consolidated income statement.

#### **15. Subsequent events**

The company has completed the 100% share purchase of Invitel International AG (including its subsidiaries) , Invitel International Hungary Kft, and S.C. Euroweb Romania S.A (" Invitel Group) on 7 October 2010 after a preliminary share purchase agreement signed on 18 May 2010 with Invitel International and the fulfillment of the conditions as well as the legal approvals (Note 1).