

(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 June 2008 together with  
independent auditors' review report**

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

**Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

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

**Independent auditors' review report on the interim financial statements  
for the period between 1 January - 30 June 2008**

**To The Shareholders of Türk Telekomünikasyon Anonim Şirketi :**

***Introduction***

We have reviewed the accompanying interim consolidated financial statements of Türk Telekomünikasyon Anonim Şirketi and its subsidiaries (together will be referred to as "the Company") which comprise the consolidated balance sheet as at 30 June 2008 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the six month period then ended. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with financial reporting standards issued by the Capital Market Board. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

***Scope of review***

We conducted our review in accordance with standards on auditing issued by the Capital Market Board. A review of interim consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with standards on auditing issued by the Capital Market Board and consequently it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements are not prepared, in all material respects, in accordance with financial reporting standards issued by the Capital Market Board.

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

Metin Canoğulları  
Partner

20 August 2008  
İstanbul, Türkiye

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

**Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

**Consolidated balance sheet**

**As at 30 June 2008**

(Currency - in Thousands of New Turkish Lira ("TRY"))

		(Reviewed)	(Audited) (Restated) (Note 2.2)
	Notes	Current period 30 June 2008	Prior period 31 December 2007
<b>Assets</b>			
<b>Current assets</b>			
		<b>3.151.551</b>	<b>3.216.407</b>
Cash and cash equivalents	6	1.102.660	1.332.792
Trade receivables			
- Trade receivables from related parties	7	109.712	83.172
- Other trade receivables		1.321.206	1.282.263
Other receivables			
- Other receivables from related parties	7	26.540	-
- Other receivables		37.939	23.380
Inventories		55.535	37.959
Other current assets		497.959	456.841
<b>Assets held for sale</b>			
		<b>7.507</b>	<b>7.601</b>
<b>Non-current assets</b>			
		<b>9.222.155</b>	<b>9.544.115</b>
Trade receivables			
- Other trade receivables		-	1.143
Other receivables		108	-
Financial investments		11.840	11.200
Investment properties		318.972	327.291
Property, plant and equipment	9	5.943.753	6.218.639
Intangible assets		2.650.289	2.688.926
Goodwill		48.735	48.735
Deferred tax asset		245.087	245.000
Other non-current assets		3.371	3.181
<b>Total assets</b>			
		<b>12.381.213</b>	<b>12.768.123</b>

The accompanying policies and explanatory notes on pages 7 through 22 form an integral part of the financial statements.

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

**Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

**Consolidated balance sheet**

**As at 30 June 2008**

(Currency - in Thousands of New Turkish Lira ("TRY"))

		(Reviewed)	(Audited) (restated) (Note 2.2)
		Current period	Prior period
	Notes	30 June 2008	31 December 2007
<b>Liabilities</b>			
<b>Current liabilities</b>		<b>3.975.153</b>	<b>2.629.574</b>
Financial liabilities			
- Bank borrowings	8	1.086.462	446.451
- Obligations under finance leases		4.540	4.039
Other financial liabilities			
- Derivative financial instruments		146	20.361
Trade payables			
- Trade payables to related parties	7	4.653	7.105
- Other trade payables		443.742	655.298
Other payables			
- Other payables to related parties	7,11	914.535	-
- Other payables		33.509	13.176
Income tax payable		160.933	212.308
Provisions		214.009	223.877
Other current liabilities	10	1.112.624	1.046.959
<b>Non-current liabilities</b>		<b>4.013.023</b>	<b>3.980.720</b>
Financial liabilities			
- Bank borrowings	8	1.812.204	1.661.048
- Obligations under finance leases		39.244	36.886
Other financial liabilities			
- Minority put option liability		802.911	788.000
- Derivative financial instruments		77.853	55.133
Other payables			
- Other payables to related parties		1.709	-
- Other payables		13.183	13.814
Provisions		4.257	3.388
Provisions for employee termination benefits		872.155	965.489
Deferred tax liability		379.527	445.564
Other non-current liabilities		9.980	11.398
<b>Equity</b>		<b>4.393.037</b>	<b>6.157.829</b>
<b>Equity attributable to parent</b>			
Paid-in share capital		3.500.000	3.500.000
Inflation adjustments to paid in capital (-)		(239.752)	(239.752)
Other reserves			
- Minority put option liability reserve (-)		(485.741)	(436.811)
- Fair value difference arising from acquisition of subsidiary (-)		(294.065)	(294.065)
- Unrealized loss on derivative financial instruments (-)		(63.277)	(55.554)
- Share based payment reserve	14	9.528	-
Restricted reserves allocated from profits		1.231.408	816.348
Retained earnings/(accumulated deficit)		(291.002)	322.810
Net profit for the period/year		1.025.938	2.544.853
<b>Total liabilities and equity</b>		<b>12.381.213</b>	<b>12.768.123</b>

The accompanying policies and explanatory notes on pages 7 through 22 form an integral part of the financial statements.

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

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Consolidated income statement for the six-month period ended 30 June 2008 (Currency - in Thousands of New Turkish Lira ("TRY") unless otherwise indicated)

	Current period		Prior period	
	(Reviewed) 1 January 2008 - 30 June 2008	1 April 2008 - 30 June 2008	(Reviewed) 1 January 2007 - 30 June 2007	1 April 2007 - 30 June 2007
<b>Continuing operations</b>				
Revenue	4.977.428	2.554.090	4.462.999	2.325.425
Cost of sales (-)	(2.502.942)	(1.273.207)	(2.506.025)	(1.303.941)
<b>Gross profit from operations</b>	<b>2.474.486</b>	<b>1.280.883</b>	<b>1.956.974</b>	<b>1.021.484</b>
<b>Gross profit</b>	<b>2.474.486</b>	<b>1.280.883</b>	<b>1.956.974</b>	<b>1.021.484</b>
Marketing, sales and distribution expenses (-)	(511.276)	(252.560)	(469.003)	(251.355)
General administrative expenses (-)	(701.817)	(383.553)	(468.118)	(197.792)
Research and development expenses (-)	(7.459)	(4.260)	(185)	(105)
Other operating income	110.346	52.788	186.418	95.071
Other operating expense (-)	(13.755)	(8.672)	(6.453)	(2.554)
<b>Operating profit</b>	<b>1.350.525</b>	<b>684.626</b>	<b>1.199.633</b>	<b>664.749</b>
Financial income	331.694	202.389	438.515	234.709
Financial expense (-)	(383.812)	(92.348)	(234.601)	(155.550)
<b>Profit before tax</b>	<b>1.298.407</b>	<b>794.667</b>	<b>1.403.547</b>	<b>743.908</b>
<b>Tax expense from continuing operations</b>				
- Tax expense for the period	(370.808)	(163.157)	(410.949)	(197.725)
- Deferred tax income	66.118	7.050	94.577	39.898
<b>Net profit from continuing operations</b>	<b>993.717</b>	<b>638.560</b>	<b>1.087.175</b>	<b>586.081</b>
Attributable to equity holders of the parent	1.025.938	627.286	1.102.445	587.625
Minority interest	(32.221)	11.274	(15.270)	(1.544)
<b>Net profit for the period</b>	<b>993.717</b>	<b>638.560</b>	<b>1.087.175</b>	<b>586.081</b>
Earnings per shares attributable to equity holders of the parent from continuing operations (in full New Kuruş)	<b>0,2931</b>	0,1792	0,3150	0,1679
Earnings per diluted attributable to equity holders of the parent from continuing operations (in full New Kuruş)	<b>0,2931</b>	0,1792	0,3150	0,1679

The accompanying policies and explanatory notes on pages 7 through 22 form an integral part of the financial statements.

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

**Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

**Consolidated statement of changes in equity  
for the six-month period ended 30 June 2008  
(Currency - in Thousands of New Turkish Lira ("TRY"))**

	Other reserves										Total equity
	Paid-in share capital	Inflation adjustments to paid in capital	Restricted reserves allocated from profits	Minority put option liability reserve	Share based payment reserve (Note 14)	Fair value difference arising from acquisition of subsidiary	Unrealised loss on derivative financial instruments	Retained earnings/ (accumulated deficit)	Net profit for the period	Minority interest	
Balance as at 1 January 2007	3.500.000	(239.752)	426.235	(283.953)	-	(294.065)	-	1.093.649	2.208.349	-	6.410.463
Effect of changes in accounting policies (Note 2.2)	-	-	-	-	-	-	-	(1.689)	-	-	(1.689)
Balance as at 1 January 2007 (restated)	3.500.000	(239.752)	426.235	(283.953)	-	(294.065)	-	1.091.960	2.208.349	-	6.408.774
Transfer to retained earnings	-	-	-	-	-	-	-	2.208.349	(2.208.349)	-	-
Transfer to restricted reserves allocated from profits	-	-	390.113	-	-	-	-	(390.113)	-	-	-
Minority interest before classification to minority put option liability	-	-	-	-	-	-	-	-	-	319.327	319.327
Minority put option liability	-	-	-	(17.990)	-	-	-	-	-	(304.057)	(322.047)
Dividend paid (Note 11)	-	-	-	-	-	-	-	(2.587.382)	-	-	(2.587.382)
Net profit for the period	-	-	-	-	-	-	-	-	1.102.445	(15.270)	1.087.175
Balance as at 30 June 2007	3.500.000	(239.752)	816.348	(301.943)	-	(294.065)	-	322.814	1.102.445	-	4.905.847
Balance as at 1 January 2008	3.500.000	(239.752)	816.348	(436.811)	-	(294.065)	(55.554)	324.499	2.508.197	-	6.122.862
Effect of changes in accounting policies (Note 2.2)	-	-	-	-	-	-	-	(1.689)	36.656	-	34.967
Balance as at 1 January 2008 (restated)	3.500.000	(239.752)	816.348	(436.811)	-	(294.065)	(55.554)	322.810	2.544.853	-	6.157.829
Transfer to retained earnings	-	-	-	-	-	-	-	2.544.853	(2.544.853)	-	-
Transfer to restricted reserves allocated from profits	-	-	415.060	-	-	-	-	(415.060)	-	-	-
Minority interest before classification to minority put option liability	-	-	-	-	-	-	-	-	-	351.188	351.188
Share based payment reserve (Note 14)	-	-	-	-	9.528	-	-	-	-	-	9.528
Unrealised loss on derivative financial instruments	-	-	-	-	-	-	(7.723)	-	-	(1.796)	(9.519)
Minority put option liability	-	-	-	(48.930)	-	-	-	-	-	(317.171)	(366.101)
Dividend paid (Note 11)	-	-	-	-	-	-	-	(2.743.605)	-	-	(2.743.605)
Net profit for the period	-	-	-	-	-	-	-	-	1.025.938	(32.221)	993.717
Balance as at 30 June 2008	3.500.000	(239.752)	1.231.408	(485.741)	9.528	(294.065)	(63.277)	(291.002)	1.025.938	-	4.393.037

The accompanying policies and explanatory notes on pages 7 through 22 form an integral part of the financial statements.

**Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

**Consolidated cash flow statement  
for the six-month period ended 30 June 2008  
(Currency - in Thousands of New Turkish Lira ("TRY"))**

	<b>Reviewed</b>	<b>Reviewed</b>
	<b>Current period</b>	<b>Prior period</b>
	<b>1 January 2008 -</b>	<b>1 January 2007 -</b>
	<b>30 June 2008</b>	<b>30 June 2007</b>
<b>Profit for the period before tax</b>	<b>1.298.407</b>	<b>1.403.547</b>
Adjustments to reconcile profit before tax to cash provided by operating activities:		
Depreciation and amortisation expense	<b>831.275</b>	842.489
Gain on sale of property, plant and equipment	<b>(112)</b>	(18)
Foreign currency exchange (income) / expense, net	<b>132.546</b>	(182.112)
Interest income and expense, net	<b>(64.318)</b>	(67.358)
Allowance for doubtful receivables	<b>73.323</b>	54.178
Provision for employee termination benefits	<b>67.479</b>	48.512
Litigation provision / (release), net	<b>730</b>	(18.116)
Loss on derivative financial instruments	<b>(7.010)</b>	-
Unused vacation provision / (release), net	<b>(10.613)</b>	(2.814)
Other provisions	<b>408</b>	1.949
Share based payments	<b>9.528</b>	-
<b>Operating profit before working capital changes</b>	<b>2.331.643</b>	<b>2.080.257</b>
Net working capital changes in:		
Trade receivables and other receivables	<b>(178.870)</b>	(235.582)
Restricted cash	<b>(1.772)</b>	(40.181)
Other current assets and inventories	<b>(58.694)</b>	(49.715)
Trade payables and other payables	<b>(192.597)</b>	(242.000)
Other non-current assets	<b>(277)</b>	1.476
Other current liabilities and provisions	<b>7.766</b>	220.500
Other non-current liabilities and provisions	<b>(549)</b>	10.868
Payments of employee termination benefits	<b>(160.813)</b>	(91.253)
Income taxes paid	<b>(422.114)</b>	(384.363)
<b>Net cash provided by operating activities</b>	<b>1.323.723</b>	<b>1.270.007</b>
<b>Investing activities</b>		
Interest received	<b>142.876</b>	172.297
Capital increase in financial investments	<b>(640)</b>	-
Proceeds from sale of property, plant, equipment and intangible assets	<b>7.996</b>	17.843
Purchases of property, plant and equipment, investment property and intangible assets	<b>(459.648)</b>	(291.619)
Proceeds from sale of assets held for sale	<b>93</b>	(9.578)
<b>Net cash used in investing activities</b>	<b>(309.323)</b>	<b>(111.057)</b>
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	<b>2.202.554</b>	3.441.234
Repayment of bank borrowings	<b>(1.525.861)</b>	(3.150.372)
Repayment of obligations under finance leases	<b>(2.859)</b>	(2.719)
Interest paid	<b>(91.068)</b>	(183.366)
Dividends paid	<b>(1.829.070)</b>	(2.150.000)
<b>Net cash used in financing activities</b>	<b>(1.246.304)</b>	<b>(2.045.223)</b>
Net decrease in cash and cash equivalents	<b>(231.904)</b>	(886.273)
Cash and cash equivalents at the beginning of the period (Note 6)	<b>922.473</b>	1.133.978
<b>Cash and cash equivalents at the end of the period (Note 6)</b>	<b>690.569</b>	<b>247.705</b>

The accompanying policies and explanatory notes on pages 7 through 22 form an integral part of the financial statements.



## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Condensed notes to consolidated financial statements

As at 30 June 2008

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

All other currencies are also expressed in thousands)

#### 1. Corporate information

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 authorisation 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 Republic of Turkey Prime Ministry Undersecretariat of Treasury ("the Treasury").

On 24 August 2005, Oger Telekomünikasyon A.Ş. ("OTAŞ"), a joint stock company, entered into a Share Sale Agreement with the government of Turkey's Privatisation Authority for the purchase of a 55% stake in the Company, the incumbent fixed-line telecommunications service provider of Turkey. A Shareholders Agreement and a Share Pledge Agreement for the block sale of the Company were signed on 14 November 2005.

According to the permission of the Capital Market Board numbered 22/526, out of TRY 3.500.000 nominal amount of capital, 15% of the Company's shares owned by the Treasury corresponding to a nominal amount of TRY 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 (owns 55% of the shares of Türk Telekom). Oger Telecom is an entity incorporated under the laws of the Dubai International Financial Centre.

As at 30 June 2008 and 31 December 2007, 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 the Turkish Telecommunication Authority ("TA") 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.

On 22 July 2005, the Board of the Competition Authority issued a decision requiring the transfer of the Company's internet activities into a separate legal entity as a condition for the privatization of the Company. Accordingly, as of 15 May 2006, the Company has separated its internet activities and established TNet Anonim Şirketi ("TNet") fully owned by the Company.

Avea İletişim Hizmetleri A.Ş. ("Avea"), an associate and a subsidiary of the Company as at 31 December 2005 and 15 September 2006, respectively, was officially founded on 19 February 2004 with the merger of the Company's GSM operator, Aycell Haberleşme ve Pazarlama Hizmetleri ("Aycell") and İş-TIM Telekomünikasyon Hizmetleri A.Ş. ("İş-TIM"), a joint venture of Türkiye İş Bankası A.Ş. ("İş Bank") and its affiliates ("İş Bank Group") and Telecom Italia Mobile International N.V. ("TIM") with a shareholding of 51% and 49%, respectively. İş-TIM and the Company each originally owned 40% stake in Avea, while İş Bank Group held 20%. Aria (the brand name of İş-TIM) and Aycell brands were sustained under the new "Avea" brand which was introduced to the market on 23 June 2004.

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Condensed notes to consolidated financial statements (continued)

As at 30 June 2008

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

All other currencies are also expressed in thousands)

#### 1. Corporate information (continued)

In 2005, both İş-TİM and the Company increased their ownership percentage in Avea by 0,56% and reached to 40,56% each through capital increase as İş Bank Group did not participate in the capital increase.

On 15 September 2006, İş-TİM sold its 40,56% shares in Avea to the Company for a consideration of USD 500 million. As a result, effective from 15 September 2006, the Company owns 81,12% shares of Avea.

On 3 August 2007, the Company acquired 99.96% of shares of Argela Yazılım ve Bilişim Teknolojileri Sanayi Anonim Şirketi ("Argela"), which is a joint stock company incorporated in Turkey. Argela was officially founded on 14 January 2004. Argela is specialized in developing new generation telecommunications solutions and provides network infrastructure components, convergence gateways and service delivery platforms for the telecommunication industry. Argela has a 100% owned subsidiary located in United States of America ("USA"), Argela-USA, Inc.

On 1 August 2007, the Company acquired 99.96% of shares and voting rights of Innova Bilişim Çözümleri Anonim Şirketi ("Innova"), which is a joint stock company incorporated in Turkey. Innova was officially founded on 2 September 1999. Innova is specialized in importing, exporting and local trading of computer hardware, maintenance, repair and lease services, software development and licence acquires, assembling of computer systems and providing operating services.

On 23 October 2007, the Company established a new subsidiary in Turkey named AssisTT Rehberlik ve Müşteri Hizmetleri Anonim Şirketi ("AssisTT") to operate a call centre and implement customer relationship management.

On 17 December 2007, the Company acquired 99.96% shares and voting rights of SEBIT Eğitim ve Bilgi Teknolojileri A.Ş. ("SEBIT") (previously named as "IES Bilişim ve Eğitim Teknolojileri"), which was officially founded on 2 December 2005. SEBIT offers online content for math and science through the online learning system. SEBIT has a 100% owned subsidiary located in USA, Sebit LLC.

On 23 June 2007, Çalık Enerji Telekomünikasyon Hizmetleri Anonim Şirketi (Çalık Enerji) and the Ministry of Economy and Energy of Albania signed a share purchase agreement ("SPA") to purchase 76% shares of Altelecom Sh.A ("Altelecom") held by the Ministry of Economy and Energy of Albania by Çalık Enerji or any other legal entity controlled by Çalık Enerji.

On 1 June 2007, the Company and Çalık Enerji have signed a shareholders agreement ("Cetel Shareholders' Agreement"), including the incorporation of a new company, Cetel Telekom İletişim Sanayi ve Ticaret Anonim Şirketi ("Cetel"), in which Çalık Enerji and the Company shall have 80% and 20% shares, respectively. Cetel was incorporated as a special purpose entity, as per the Cetel Shareholders' Agreement.

The Cetel Shareholders' Agreement provides also for the incorporation of another special purpose entity ("SPV"), which will purchase the 76% stake of Altelecom. SPV is 100% owned by Cetel. Cetel and SPV are incorporated for the purpose of acquiring the 76% shares of Altelecom.

In the consolidated financial statements as at 30 June 2008 and 31 December 2007 the financial statements of TTNNet, Avea, Argela (effective from 3 August 2007), Innova (effective from 1 August 2007), SEBIT (effective from 17 December 2007) and AssisTT (effective from 23 October 2007) are consolidated with the financial statements of the Company. Cetel is carried at cost in the consolidated financial statements as of 31 December 2007 and 30 June 2008.

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

### **Condensed notes to consolidated financial statements (continued)**

**As at 30 June 2008**

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

All other currencies are also expressed in thousands)

#### **1. Corporate information (continued)**

Hereinafter Türk Telekom, Avea, TTNNet, Argela, Innova, SEBIT and AsistTT 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 and principal place of business is Turgut Özal Bulvarı, 06103 Aydınlıkevler, Ankara.

These interim condensed consolidated financial statements were approved by the Board of Directors of the Company and authorized for issue on 20 August 2008. The general assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

#### **2. Basis of preparation of interim condensed consolidated financial statements**

##### **2.1 Basis of presentation**

Interim consolidated financial statements for the six month period ended 30 June 2008, have been prepared in accordance with IAS 34 "Interim Financial Reporting". The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at and for the year ended 31 December 2007.

Excluding the entities operation outside of Turkey, the Group maintains its books of account and prepares its statutory financial statements in New Turkish lira ("TRY") in accordance with Turkish Commercial Code and Tax Legislation and the Uniform Chart of Accounts ("UCA") issued by the Ministry of Finance.

Previously, the financial statements of the Group as at and for the year ended 31 December 2007 have been prepared in accordance with the Communiqué Serial XI, No: 25 'Communiqué on Accounting Standards in Capital Markets'. In this Communiqué, the Capital Markets Board ("CMB") stated that alternatively, the application of accounting standards prescribed by the International Accounting Standards Board (IASB) and International Accounting Standards Committee (IASC) will be also considered to be compliant with the CMB Accounting Standards. Accordingly, the consolidated financial statements of the Group as at and for the year ended 31 December 2007 had been prepared in accordance with the alternative methods allowed by the CMB.

In accordance with the CMB's "Communiqué on Financial Reporting in Capital Market" Serial XI, No:29, published in the Official Gazette dated 9 April 2008, after 1 January 2008, listed companies are required to prepare its financial statements in conformity with International Accounting/Financial Reporting Standards (IAS/IFRS) as prescribed in the CMB Communiqué. Since, there are not any differences between the accounting policies of the alternative method of Communiqué Serial XI, No:25 (previously applied) and the Communiqué Serial XI, No:29, there is no change in the accounting policies applied in preparation of the financial statements of the current and prior period.

The financial statements and explanatory notes are presented using the compulsory standard formats as published by the Communiqué Serial XI, No:29 declared by the CMB on 9 April 2008.

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

### **Condensed notes to consolidated financial statements (continued)**

**As at 30 June 2008**

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

All other currencies are also expressed in thousands)

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

The interim consolidated financial statements have been prepared on the historical cost basis except with respect to the Company's property, plant and equipment and investment property for which the deemed cost method was applied for acquisitions prior to 1 January 2000, derivative financial instruments and minority put option liability, which have been reflected at their fair values.

#### **Reclassifications in 2007 financial statements**

Certain reclassifications have been made on the consolidated balance sheet as at 31 December 2007 in accordance with the CMB's Communiqué Serial XI, No:29. Advances given for inventory amounting to TRY 911 were reclassified to other current assets, advances given for property, plant and equipment amounting to TRY 21.594 included in property, plant and equipment were reclassified to other current assets, receivables amounting to TRY 23.380 included in other current assets were reclassified to other receivables, non-current trade payables amounting to TRY 13.814 were reclassified to other current payables, current trade payables amounting to TRY 13.176 were reclassified to other current payables, inflation adjustment difference of the restricted reserves amounting TRY 19.184 were reclassified to retained earnings. Furthermore, TRY 14.034 related with prepaid card which were net off in prior periods were grossed up in the interim consolidated financial statements.

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

##### **Adoption of new and revised International Financial Reporting Standards and Interpretations**

The accounting policies adopted in the preparation of the interim consolidated financial statements as at 30 June 2008 are consistent with those followed in the preparation of the financial statements of the prior year and for the year ended 31 December 2007, except for the adoption of new standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations. Except IFRIC 12, "Service Concession Arrangements", adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group. They did, however, give rise to additional explanations.

The new standards which are effective as of 1 January 2008 and changes and interpretations of current standards are as follows :

IFRIC 11: IFRS 2 - "Group and Treasury Share Transactions"

IFRIC 12: "Service Concession Arrangements"

IFRIC 14: "IAS 19 – Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

IFRIC 15: "Agreements for the Construction of Real Estate"

IFRIC 16: "Hedges of a Net Investment in a Foreign Operation"

IFRIC 12, "Service Concession Arrangements", outlines an approach to account for contractual obligations undertaken and rights received by service concession operators in service concession arrangements. It provides that the operator should not account for the infrastructure as property, plant and equipment, but recognize a financial asset and/or an intangible asset.

Accordingly, the Company adopted IFRIC 12 by restating its financial statements as at 1 January 2007, from the earliest period, based on the provisional article of IFRIC 12.

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Condensed notes to consolidated financial statements (continued)

As at 30 June 2008

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

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

In the application of IFRIC 12, the Company has first determined the property, plant and equipment within the scope of IFRIC 12. In accordance with IFRIC 12, the property, plant and equipment owned by the Company as of the date of the Concession Agreement are considered out of scope of IFRIC 12. Land and buildings, network and other devices, vehicles, furnitures and fixtures and construction in progress (together will be referred to as network equipment) purchased after the Concession Agreement are determined to be in the scope of IFRIC 12.

In accordance with the provisional article of IFRIC 12, the Company has determined property, plant and equipment to be in the scope of IFRIC 12 and has reclassified the net book value of these property, plant and equipment at 1 January 2007 to intangible assets amounting to TRY 425.118 and began to amortize during the Concession Agreement.

As at 1 January 2007, the Company continued to account the property, plant and equipment which is owned before the Concession Agreement and determined them to be out the scope of IFRIC 12 and accounted for any repair, maintenance and replacements related with these assets in accordance with IAS 16. The replacement costs related with network equipments amounting to TRY 425.118 which has been reclassified to the intangible assets as at 1 January 2007 were expensed in the related period unless there are contractual replacements as required by the Concession Agreement. For the contractual replacements, provision is provided as of the date the replacement is foreseen.

Any new network equipment is accounted in accordance with IFRIC 12. In case these extensions give an additional right to the Company to charge to the users, the Company recognises an additional intangible assets in exchange for construction services, and accordingly recognizes and measures revenue in accordance with IAS 18 "Revenue" and IAS 11 "Construction Contracts". The cost of construction is expensed as incurred. An amount is determined by adding the profit margin applied in the market for the construction services in the same quality to the construction costs and this amount is reflected to consolidated financial statements as income and intangible assets.

The impact of IFRIC 12 to the consolidated financial statements as at 31 December 2007, since it was applied effective from 1 January 2007, are summarized as follows:

	31 December 2007 (Before the adoption of IFRIC 12)	31 December 2007 (After the adoption of IFRIC 12)	Difference
Property, plant and equipment	6.777.231	6.240.233 (*)	(536.998)
Intangible assets	2.104.824	2.688.926	584.102
Long- term provisions	-	3.388	3.388
Deferred tax liability	436.815	445.564	8.749
Retained earnings	305.315	303.626 (*)	(1.689)

(\*) Before the reclassifications in consolidated balance sheet in accordance with Communiqué Serial XI, No:29.

The Group has decided that Avea's concession agreement is not within the scope of IFRIC 12.

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

### **Condensed notes to consolidated financial statements (continued)**

**As at 30 June 2008**

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All other currencies are also expressed in thousands)

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

### **Standards, Interpretations and Amendments to Published Standards that are not yet effective and not early adopted by the Group**

IFRIC 15, "Agreements for the Construction of Real Estate", (is effective for annual periods beginning on or after 1 January 2009 and must be applied retrospectively).

IFRIC 16, "Hedges of a Net Investment in a Foreign Operation", (is effective for annual periods beginning on or after 1 January 2008 and must be applied retrospectively). However, as this standard has not yet been adopted by the European Union.

## **2.3. Significant accounting judgments, estimates and assumptions**

### **Significant accounting judgments**

During the period ended 30 June 2008, the Company has continued to apply the same accounting judgments used in the consolidated financial statements as at 31 December 2007.

### **Use of estimates**

The uncertainties encountered by the Group in applying the accounting policies for the period ended 30 June 2008 have no difference with the sources of uncertainties existing as of 31 December 2007 except for the estimates used in the application of IFRIC 12. The estimates used by the Company in the application of IFRIC 12 are as follows:

- a) According to the Company, 30% of the foreseen investments related with the network equipments 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 TRY 3.824 in the interim consolidated financial statements for the foreseen contractual replacements in the future. Aforementioned provision is the present value of the contractual replacement expenses that will be realized in the future. Discount rate was determined as 13%.
- b) The Company has determined the cost of the investments in intangible assets by adding the profit margin applied in the market to the construction services in the same quality the construction costs of the related network equipment. The profit margin has been determined as 13% for the period ended 30 June 2008.

## **3. Seasonal changes in the operations**

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

**Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

**Condensed notes to consolidated financial statements (continued)**

**As at 30 June 2008**

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**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 six month period ended 30 June 2008</b>	For the six month period ended 30 June 2007
Weighted average number of shares outstanding during the period (number)	<b>350.000.000.000</b>	350.000.000.000 (*)
Net profit for the period attributable to equity holders of parent	<b>1.025.938</b>	1.102.445
Earnings per share (in full New Kuruş)	<b>0,2931</b>	0,3150

(\*) According to the amendment in the Articles of Association decided in the General Assembly dated 30 April 2008 number of shares have been changed from 3.500.000.000.000 to 350.000.000.000 whereas nominal value per shares has been changed from 0,1 New Kuruş to 1 New Kuruş.

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

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Condensed notes to consolidated financial statements

As at 30 June 2008

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#### 5. Segment reporting

The Group has two segments: Fixed line and GSM services. Fixed line services are provided by Türk Telekom and TNET and GSM services by Avea. The segment results and condensed balance sheet lines are presented below:

	Fixed line		GSM		Eliminations		Consolidated	
	1 January- 30 June 2008	1 January- 30 June 2007	1 January- 30 June 2008	1 January- 30 June 2007	1 January- 30 June 2008	1 January- 30 June 2007	1 January- 30 June 2008	1 January- 30 June 2007
Total revenue	4.080.325	3.817.267	1.016.909	748.004	(119.806)	(102.272)	4.977.428	4.462.999
Net operating segment profit (loss)	1.375.094	1.323.873	(24.569)	(124.240)	-	-	1.350.525	1.199.633
Depreciation and amortization expenses	(583.036)	(605.735)	(248.239)	(236.754)	-	-	(831.275)	(842.489)
Capital expenditures	(404.470)	(226.242)	(113.077)	(104.659)	-	-	(517.547)	(330.901)

  

	Fixed line		GSM		Eliminations		Consolidated	
	1 April- 30 June 2008	1 April - 30 June 2007	1 April- 30 June 2008	1 April- 30 June 2007	1 April- 30 June 2008	1 January- 30 June 2007	1 April- 30 June 2008	1 April- 30 June 2007
Total revenue	2.074.931	1.971.947	534.796	407.408	(55.637)	(53.930)	2.554.090	2.325.425
Net operating segment profit (loss)	679.617	716.299	5.009	(51.550)	-	-	684.626	664.749
Depreciation and amortization expenses	(292.903)	(304.388)	(122.985)	(119.062)	-	-	(415.888)	(423.450)
Capital expenditures	(254.029)	(168.388)	(65.405)	(72.120)	-	-	(319.434)	(240.508)

  

	Fixed line		GSM		Eliminations		Consolidated	
	30 June 2008	31 December 2007	30 June 2008	31 December 2007	30 June 2008	31 December 2007	30 June 2008	31 December 2007
Total segment assets	8.177.458	8.576.456	4.318.459(***)	4.305.857(***)	(114.704)	(114.190)	12.381.213	12.768.123
Total segment liabilities	(4.691.130)	(3.520.341)	(2.608.839)	(2.416.143)	(688.207)(*)	(673.810)(**)	(7.988.176)	(6.610.294)

(\*) Includes minority put option liability amounting TRY 802.911.

(\*\*) Includes minority put option liability amounting TRY 788.000.

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



**Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

**Condensed notes to consolidated financial statements**

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**6. Cash and cash equivalents**

	<b>30 June 2008</b>	31 December 2007
Cash on hand	<b>1.229</b>	1.147
Cash at banks – Demand deposits	<b>247.030</b>	223.865
Cash at banks – Time deposits	<b>854.401</b>	1.107.676
Other	-	104
	<b>1.102.660</b>	1.332.792

Time deposits of the Group as at 30 June 2008 are all short-term, maturing within one month and denominated in both foreign currencies and TRY. The effective interest rates are between 10 % - 20,30% for TRY deposits and 3,61% - 5,25% for USD deposits, 4,21%-6% for Euro deposits. (31 December 2007 - 13% - 19,36% for TRY deposits, 1,00% - 5,60% for USD deposits and 1,00% – 5,04% for Euro deposits). Time deposits held in foreign currencies was disclosed in Note 13.

As at 30 June 2008, TRY 244.613 (31 December 2007 - TRY 241.981) 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 7). These time deposits are restricted and can only be used for payments related to TAFICS projects.

As at 30 June 2008, a demand deposit amounting to TRY 154.732 (31 December 2007 – TRY 155.190) 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. An also TRY 4.799 of demand deposits (31 December 2007 - TRY 3.809) arising from collections through automated teller machine ("ATM") is not available for use at 30 June 2008.

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

	<b>1 January-30 June 2008</b>	1 January-30 June 2007
Cash and cash equivalents	<b>1.102.660</b>	657.597
- TAFICS projects	<b>(244.613)</b>	(263.148)
- collection protocols	<b>(154.732)</b>	(142.781)
- ATM collection	<b>(4.799)</b>	(2.857)
- Other	<b>(7.947)</b>	(1.106)
	<b>690.569</b>	247.705

Within the context of the Bank Account Pledge Agreement signed by Avea, Avea provided an account pledge over all of its bank accounts amounting to TRY 472.972 at 30 June 2008 (31 December 2007 - TRY 292.401) in favour of Security Trustee (Note 8). 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.

**Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

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**7. Related party balances and transactions**

All intra-group transactions and balances including intra-group unrealised profits and losses are eliminated in the 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. The amounts outstanding are unsecured and will be settled in cash.

Details of balances as at 30 June 2008 and 31 December 2007 between the Group and other related parties are disclosed below:

	30 June 2008	31 December 2007
<b>Trade receivables from related parties</b>		
State controlled entities	97.817	74.615
Cell-C Ltd. (1)	298	13
PTT	7.624	8.278
Other	3.973	266
	<b>109.712</b>	<b>83.172</b>
<b>Trade payables to shareholders</b>		
OTAŞ	60	-
	<b>60</b>	<b>-</b>
<b>Trade payables to related parties</b>		
State controlled entities	2.926	2.919
Oger Telekom Yönetim Hizmetleri Limited Şirketi (OTYH) (2)	401	2.577
PTT	947	1.288
Other	319	321
	<b>4.593</b>	<b>7.105</b>

(1) a subsidiary of Oger Telecom

(2) a subsidiary of Oger Telecom

	30 June 2008	31 December 2007
<b>Other receivables from shareholders</b>		
The Treasury	26.540	-
	<b>26.540</b>	<b>-</b>
<b>Other payables to shareholders</b>		
The Treasury	411.541	-
OTAŞ	502.994	-
	<b>914.535</b>	<b>-</b>

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Condensed notes to consolidated financial statements

As at 30 June 2008

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

##### *Transactions with shareholders*

Dividend payment to the Treasury and OTAŞ during the period ended 30 June 2008 amounted to TRY 823.081 (30 June 2007 - TRY 967.500) and TRY 1.005.989 (30 June 2007 - TRY 1.182.500), respectively. Outstanding balance amounting to TRY 914.535 (30 June 2007 - TRY 437.382) has been reflected as "due to related party" in the interim consolidated financial statements.

Avea is required under the terms of the Avea's concession agreement, to pay a share to the Treasury of 15% (the Treasury Share) of its monthly gross revenue.

##### *Transactions with Other Related Parties*

Postage services rendered by PTT to the Group in the period ended 30 June 2008 amounted to TRY 59.798 (30 June 2007 - TRY 58.838) while commission for collection of invoices and other services amounted to TRY 17.393 (30 June 2007 - TRY 19.504).

After the foundation of the Company, an agreement was signed between the Company and the PTT in 1997 to grant free use of buildings occupied by both parties for 49 years. In 2005, an amendment made to the agreement provided that the Company pay TRY 35.000 per year for ten years (for the spaces owned by the Group but occupied by the PTT or vice versa). The parties will renegotiate the term of the agreement at the end of ten years. The transaction between the PTT and the Company is not an arms' length transaction and has therefore been reflected on net cash basis rather than gross basis measured at fair value in the interim consolidated financial statements.

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

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

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

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

	30 June 2008	30 June 2007
Short-term benefits	8.733	2,842
Long-term defined benefit plans	41	34
	<b>8.774</b>	<b>2,876</b>

Furthermore, OTYH charged to the Company a management fee for an amount of TRY 12.270 for the period ended 30 June 2008 (30 June 2007 – TRY 12.234), based on a three years contract between OTYH and the Company. OTYH's ultimate parent company is Saudi Oger. Major portion of these payments are related with the certain key management salaries. The contract had been signed in April 2006 for three years for a total of USD 60.000.

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

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#### 8. Borrowings

##### Bank borrowings

Bank borrowings used by the Group during the period ended 30 June 2008 amounts to TRY 2.202.554.

The total repayment of bank borrowings during the period ended 30 June 2008 amounts to TRY 1.525.861.

The following borrowings as of 30 June 2008 and 31 December 2007 are secured by a security package:

	30 June 2008			31 December 2007		
	USD	EURO	TRY equivalent	USD	EURO	TRY equivalent
Borrowings secured by security package	1.490.533	78.000	1.974.279	1.386.811	75.375	1.744.125

In 2007, the Group has restructured the Avea's short-term debt with a long-term financing package (Multi Tranche Project Finance ("MTPF")). For this financing, existing security package has been updated and extended and Türk Telekom has provided certain guarantees for the loans obtained by Avea.

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 817.193 as at 30 June 2008). At 30 June 2008, the total Senior Secured Financial Indebtedness of Avea amounts to approximately TRY 1.974.279 (31 December 2007 - TRY 1.744.125).
- 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 June 2008 - TRY 472.977; 31 December 2007- TRY 292.401 (Note 6)).

In addition to Commercial Enterprise Pledge, there are certain other conditions:

##### 1. Financial covenants (ratios):

- a) Debt Service Coverage Ratio of Avea should be minimum 1.1 for the first reporting period starting from September 2008. (The ratio is calculated by dividing cash inflows from operations in the last four periods to the principal and interest payments related with financing activities.)
- b) Net Debt to EBITDA Ratio of Avea should be maximum 7 and maintain certain levels as set out in the Finance Documents thereafter.

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#### **8. Borrowings (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 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 favour of the lenders as collateral that should not be diluted with new securities created over the same assets.
- d) 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 favour 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.

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 fulfilment of the secured obligations.

As of 30 June 2008, the Management of the Group has reviewed the financial covenants and general undertakings of Avea and concluded that there is no default on the above conditions.

#### **9. Property, plant and equipment (PPE)**

The amount of property, plant and equipment purchased during the six month period ended 30 June 2008 amounts to TRY 470.838 (30 June 2007- TRY 288.104).

The cost of property, plant and equipment sold during the six month period ended 30 June 2008 amounts to TRY 11.098 (30 June 2007- TRY 16.203).

**Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

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**10. Other current liabilities**

	<b>30 June 2008</b>	<b>31 December 2007</b>
Due to personnel	<b>45.134</b>	34.790
Taxes and duties payable	<b>304.153</b>	248.213
Social security premiums payable	<b>36.162</b>	27.129
Expense accrual	<b>195.173</b>	186.692
Accrual for capital expenditures (4)	<b>66.703</b>	8.804
Accrual for contribution to be paid to the Turkish Telecommunication Authority	<b>30.324</b>	45.943
Accrual for the Treasury Share	<b>29.334</b>	28.444
Accrual for Universal Service Fund (1)	<b>46.941</b>	87.559
Deferred revenue (2)	<b>74.310</b>	81.155
Advances received (3)	<b>268.314</b>	263.447
Other payables	<b>16.076</b>	34.783
	<b>1.112.624</b>	1.046.959

- 1) According to the article numbered 5369 related with "International Service Fund" published on 16 June 2005, Türk Telekom and TNet will contribute 1% of their net revenues of each year to the Ministry of Transportation as Universal Service Fund. The contribution is payable by the end of April of the following year.
- 2) Deferred revenue is composed of the invoiced but unconsumed minutes' sales value.
- 3) Advances received include the amounts received from Turkish Armed Forces for TAFICS projects. The Group acts as an intermediary for TAFICS projects and implements the payments made to the contractors from the advances received and provides support in project management. The amount of expenditures made related with the projects is deducted from the advances received at the time expenditures are incurred. The unused amount of advances received is kept in time deposits and the related interest income is also credited to the advances according to the agreement between the parties.
- 4) Capital expenditure accruals represent fixed asset purchases that will be invoiced at the delivery of the fixed assets within the agreement.

**11. Dividend**

As at 30 June 2008, the Company has committed dividend payment with respect to 2007 profit amounting to TRY 2.743.605 (full New Kuruş 0,7839 per share) which is partially paid. Outstanding balance amounting to TRY 914.535 has been reflected to "due to related parties" account in the consolidated interim financial statements.

As at 30 June 2007, the Company has committed dividend payment with respect to 2006 profit amounting to TRY 2.587.302 (full New Kuruş 0,7392 per share) of which TRY 2.150.000 has been paid as at 30 June 2007.

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**12. Commitments and contingencies**

There is no significant change in commitments and contingencies of the Group during the period.

**13. Foreign currency position**

*Total;*

	<b>Current Period 30 June 2008 (Amount in TRY)</b>	<b>Prior Period 31 December 2007 (Amount in TRY)</b>
A. Foreign currency assets	<b>442.223</b>	234.765
B. Foreign currency liabilities	<b>2.584.918</b>	2.333.231
<b>Net foreign currency position (A-B)</b>	<b>(2.142.695)</b>	(2.098.466)

*Detailed in foreign currency;*

Foreign currency position of the Group as at 30 June 2008 and 31 December 2007 is as follows:

	<b>USD</b>	<b>Euro</b>	<b>Other (*)</b>	<b>Equivalent in TRY</b>
Cash and cash equivalents	171.768	43.843	1	295.178
Trade receivables	64.734	12.513	-	103.329
Other receivables and assets	26.158	5.557	-	43.716
<b>Total of foreign currency assets</b>	<b>262.660</b>	<b>61.913</b>	<b>1</b>	<b>442.223</b>
Short-term borrowings	(428.035)	(6.132)	-	(535.603)
Trade payables	(16.146)	(2.526)	(323)	(29.368)
Other payables and liabilities	(98.983)	(44.947)	-	(207.743)
Long-term borrowings	(1.366.857)	(72.431)	-	(1.812.204)
<b>Total of foreign currency liabilities</b>	<b>(1.910.021)</b>	<b>(126.036)</b>	<b>(323)</b>	<b>(2.584.918)</b>
<b>Net foreign currency position</b>	<b>(1.647.361)</b>	<b>(64.123)</b>	<b>(322)</b>	<b>(2.142.695)</b>

(\*) include amounts in GBP, JPY, DKK, CHF.

	<b>USD</b>	<b>Euro</b>	<b>Equivalent in TRY</b>
Cash and cash equivalents	37.943	57.886	143.189
Trade receivables	62.311	11.111	91.576
<b>Total of foreign currency assets</b>	<b>100.254</b>	<b>68.997</b>	<b>234.765</b>
Trade payables	(71.794)	(11.898)	(103.966)
Short-term borrowings	(378.715)	(2.964)	(446.157)
Due to related parties	(7)	-	(8)
Long-term borrowings	(1.318.901)	(73.047)	(1.661.048)
Other payables and liabilities	(69.517)	(24.024)	(122.052)
<b>Total of foreign currency liabilities</b>	<b>(1.838.934)</b>	<b>(111.933)</b>	<b>(2.333.231)</b>
<b>Net foreign currency position</b>	<b>(1.738.680)</b>	<b>(42.936)</b>	<b>(2.098.466)</b>

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Condensed notes to consolidated financial statements

As at 30 June 2008

(Currency - in thousands of New Turkish Lira ("TRY") unless otherwise indicated.

All other currencies are also expressed in thousands)

#### 14. 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 shares of Türk Telekom owned by the Treasury, minority shareholder of Türk Telekom, has been sold as of 15 May 2008 through an initial public offering ("IPO") (such shares correspondence to 15% of Türk Telekom's shares). During the IPO, 12.299.160.300 of such shares have been allocated to the employees of Türk Telekom and PTT and small investors together with 5.220.503.000 shares allocated to domestic investors with high purchasing power with a 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's employees have been considered 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's employees amounting to TRY 9.528 as an expense in the interim consolidated income statement for the six month period ended 30 June 2008 and credited the same amount into the equity as a share based payment reserve.

The market price during the IPO	TRY 4.60
The average price applied to the employees of Türk Telekom	TRY 4.2937
The number of shares sold to Türk Telekom's employees (lot)	31.104.948
Expense reflected to the interim consolidated income statement	TRY 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 or 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 TRY 34.000.

#### 15. Events after the balance sheet date

None.