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

Türk Telekomünikasyon Anonim Şirketi

Consolidated financial statements for the years ended December 31, 2008 and 2007

(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 Report Originally Issued in Turkish - See additional paragraph below for convenience translation)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Türk Telekomünikasyon A.Ş.

We have audited the accompanying consolidated financial statements of Türk Telekomünikasyon A.Ş. (the Company) and its subsidiaries which comprise the consolidated balance sheet as of December 31, 2008 and the related consolidated income statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Financial Reporting Standards published by Capital Market Board in Turkey. This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by Capital Market Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Türk Telekomünikasyon A.Ş. and its subsidiaries as of December 31, 2008 and its financial performance for the year then ended in accordance with Financial Reporting Standards published by Capital Market Board in Turkey.

Additional paragraph for convenience translation to English:

The effect of the differences between the accounting principles summarized in Note 2 and the accounting principles generally accepted in countries in which the financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying financial statements. The differences with IFRS mainly related to the application of inflation accounting which was ceased one year later in IFRS, and the presentation of the basic financial statements and the notes to them. Accordingly, the financial statements are not intended to present the Group's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
An Affiliated Firm of Ernst & Young International

Metin Canoğulları, SMMM
Partner

February 19, 2009
İstanbul, Turkey

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

Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries
Consolidated balance sheets as at 31 December 2008 and 2007
(Currency - in thousands of New Turkish Lira (“TL”))

	Notes	Audited Current period 31 December 2008	Audited (Restated Note 2.2) Prior period 31 December 2007
Assets			
Current assets		**2.998.480**	3.224.008
Cash and cash equivalents	6	**1.041.982**	1.332.792
Trade receivables			
- Trade receivables from related parties	10	**92.944**	83.172
- Other trade receivables	8	**1.324.986**	1.282.263
Financial assets	17	**793**	-
Other receivables	12	**67.188**	23.380
Inventories	13	**49.080**	37.959
Other current assets	15	**414.147**	456.841
Assets held for sale	19	**7.360**	7.601
Non-current assets		**9.660.966**	9.546.126
Other trade receivables	8	**-**	1.143
Other receivables		**669**	-
Financial investments	16	**11.840**	11.200
Investment property	20	**310.654**	327.291
Property, plant and equipment	21	**6.277.125**	6.218.639
Intangible assets	22	**2.734.374**	2.690.937
Goodwill	18	**48.735**	48.735
Deferred tax asset	14	**272.894**	245.000
Other non-current assets	15	**4.675**	3.181
TOTAL ASSETS		**12.659.446**	12.770.134

The accompanying policies and explanatory notes on pages 8 through 81 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 sheets as at 31 December 2008 and 2007
(Currency - in thousands of New Turkish Lira ("TL"))

	Notes	Audited Current period 31 December 2008	Audited (Restated Note 2.2) Prior period 31 December 2007
Liabilities and equity			
Current liabilities		**3.548.688**	2.629.574
Financial liabilities			
- Bank borrowings	7	**1.285.578**	446.451
- Obligations under finance leases	9	**5.233**	4.039
Other financial liabilities			
- Derivative financial instruments	17	**-**	20.361
Trade payables			
- Trade payables to related parties	10	**21.517**	7.105
- Other trade payables	8	**881.319**	655.298
Other payables			
- Other payables to related parties		**-**	-
- Other payables		**29.294**	13.176
Income tax payable	33	**93.882**	212.308
Provisions	23	**232.075**	223.877
Other current liabilities	12	**999.790**	1.046.959
Non-current liabilities		**3.997.151**	3.980.720
Financial liabilities			
- Bank borrowings	7	**2.122.904**	1.661.048
- Obligations under finance leases	9	**41.527**	36.886
Other financial liabilities			
- Minority put option liability	11	**586.439**	788.000
- Derivative financial instruments	17	**209.515**	55.133
Other payables			
- Other payables to related parties	10	**336**	-
- Other payables		**16.094**	13.814
Provisions	23	**5.126**	3.388
Provision for employee termination benefits	23	**667.148**	965.489
Deferred tax liability	14	**338.504**	445.564
Other non-current liabilities	12	**9.558**	11.398
Equity		**5.113.607**	6.159.840
Equity attributable to parent			
Paid-in share capital	24	**3.500.000**	3.500.000
Inflation adjustments to paid in capital (-)	24	**(239.752)**	(239.752)
Other reserves			
- Minority put option liability reserve (-)	11	**(386.719)**	(436.811)
- Fair value difference arising from acquisition of subsidiary (-)	18	**(294.065)**	(294.065)
- Unrealized loss on derivative financial instruments (-)	17	**(169.957)**	(55.554)
- Share based payment reserve	35	**9.528**	-
Cumulative translation differences		**(57)**	-
Restricted reserves allocated from profits		**1.231.408**	816.348
Retained earnings /(accumulated deficit)		**(288.991)**	322.810
Net income for the period /year		**1.752.212**	2.546.864
TOTAL LIABILITIES AND EQUITY		**12.659.446**	12.770.134

The accompanying policies and explanatory notes on pages 8 through 81 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 statements for years ended 31 December 2008 and 2007
(Currency - in thousands of New Turkish Lira ("TL") unless otherwise indicated)

		Current period	**Prior period**
		Audited	**Audited (Restated Note 2.2)**
	Notes	**01 January 2008 - 31 December 2008**	**01 January 2007- 31 December 2007**
Continuing operations			
Revenue	5	**10.194.947**	9.423.567
Cost of sales (-)	5, 29	**(4.885.789)**	(5.258.137)
Gross profit		**5.309.158**	4.165.430
Marketing, sales and distribution expenses (-)	5, 29	**(1.240.384)**	(972.935)
General administrative expenses (-)	5, 29	**(1.605.569)**	(955.191)
Research and development expenses (-)	5, 29	**(9.817)**	-
Other operating income	31	**310.726**	345.991
Other operating expense (-)	31	**(54.291)**	(17.146)
Operating profit /(loss)		**2.709.823**	2.566.149
Financial income	32	**348.904**	759.112
Financial expense (-)	32	**(922.578)**	(323.819)
Profit before tax from continuing operations		**2.136.144**	3.001.442
Tax income/expense from continuing operations			
- Tax expense for the period	33	**(643.728)**	(820.920)
- Deferred tax income	14,33	**134.954**	411.134
Net profit from continuing operations		**1.627.370**	2.591.656
Attributable to equity holders of the parent		**1.752.212**	2.546.864
Minority interest	24	**(124.842)**	(44.792)
Earnings per share attributable to equity holders of the parent from continuing operations (in full Kuruş)	25	**0,50**	0,73
Earnings per diluted attributable to equity holders of the parent share from continuing operations (in full Kuruş)	25	**0,50**	0,73

The accompanying policies and explanatory notes on pages 8 through 81 form an integral part of the financial statements.

Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries
Consolidated statements of changes in equity for the years ended 31 December 2008 and 2007
(Currency - in thousands of New Turkish Lira ("TL"))

				Revaluation Surplus								
	Paid-in share capital	Inflation adjustments 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	Cumulative translation differences	Retained earnings (accumulated deficit)	Net profit for the period	Minority interest	Total equity
Balance as at 31 December 2006	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 31 December 2006 (revised)	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 (Note 24)	-	-	-	-	-	-	-	-	-	-	319.327	319.327
Minority put option provision (Note 11)	-	-	-	(152.858)	-	-	-	-	-	-	-	(152.858)
Classification of minority interest to minority put option liability	-	-	-	-	-	-	-	-	-	-	(351.189)	(351.189)
Unrealised loss on derivative financial instruments (Note 17)	-	-	-	-	-	-	(55.554)	-	-	-	(12.930)	(68.484)
Dividend paid (Not 24)	-	-	-	-	-	-	-	-	(2.587.386)			(2.587.386)
Net profit for the period	-	-	-	-	-	-	-	-		2.508.197	44.792	2.552.989
Balance as at 31 December 2007	3.500.000	(239.752)	816.348	(436.811)	-	(294.065)	(55.554)	-	322.810	2.508.197	-	6.121,173
Changes in accounting policies (Note 2.2)	-	-	-	-	-	-	-	-	-	38.667	-	38.667
Balance as at 31 December 2007 (revised)	**3.500.000**	**(239.752)**	**816.348**	**(436.811)**	**-**	**(294.065)**	**(55.554)**	**-**	**322.810**	**2.546.864**	**-**	**6.159.840**
Transfer to retained earnings	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2.546.864**	**(2.546.864)**	**-**	**-**
Transfer to restricted reserves allocated from profits	**-**	**-**	**415.060**	**-**	**-**	**-**	**-**	**-**	**(415.060)**	**-**	**-**	**-**
Minority interest before classification to minority put option liability (Note 24)	**-**	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**	**351.189**	**351.189**
Minority put option liability	**-**	**-**	**-**	**50.092**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**50.092**
Classification of minority interest to minority put option liability (Note 24)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(199.720)**	**(199.720)**
Share based payment reserve (Not 35)	**-**	**-**	**-**	**-**	**9.528**	**-**	**-**	**-**		**-**	**-**	**9.528**
Unrealised loss on derivative instruments (Note 17)	**-**	**-**	**-**	**-**	**-**	**-**	**(114.403)**	**-**	**-**	**-**	**(26.627)**	**(141.030)**
Dividend paid (Not 24)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2.743.605)**	**-**	**-**	**(2.743.605)**
Cumulative translation differences	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(57)**	**-**	**-**	**-**	**(57)**
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.752.212**	**(124.842)**	**1.627.370**
Balance as at 31 December 2008	**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**

The accompanying policies and explanatory notes on pages 8 through 81 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 statements of cash flow for the years ended
31 December 2008 and 2007
(Currency - in Thousands of New Turkish Lira ("TL") unless otherwise indicated.
All other currencies are also expressed in thousands)

	Notes	**Current Period** **Audited** **01 January 2008 -** **31 December 2008**	Prior Period Audited (Restated Note 2.2) 01 January 2007 - 31 December 2007
Profit for the year before tax		**2.136.144**	3.001.442
Adjustments to reconcile profit before tax to cash provided by operating activities:			
Depreciation and amortisation expense	30	**1.631.767**	1.637.728
IFRIC 12 adjustment		**(98.645)**	**(190.156)**
Gain on sale of property, plant and equipment		**(4.210)**	**(5.189)**
Foreign currency exchange (income) / expense, net		**656.089**	**(401.769)**
Interest income and expense, net		**(28.727)**	**(125.716)**
Release of bad debt provision	8,31	**(80.513)**	(124.547)
Allowance for doubtful receivables	8,12	**259.498**	267.430
Provision for employee termination benefits	23	**143.768**	124.426
Curtailment and settlement gain	23	**(47.255)**	(37.617)
Actuarial valuation income	23	**46.590**	(18.584)
Litigation provision / (release), net	23	**(34.139)**	(17.960)
Unused vacation provision / (release), net	23	**(13.609)**	(4.135)
Share based payments	35	**9.528**	-
Profit form derivative istruments		**(7.801)**	-
Negative goodwill	18	**-**	(3.967)
Other provisions and expense accruals		**-**	10.063
Operating profit before working capital changes		**4.568.485**	4.111.449
Net working capital changes in:			
Trade receivables and other receivables		**(223.291)**	(188.909)
Restricted cash		**(15.554)**	(40.181)
Other current assets and inventories		**(19.281)**	(223.356)
Trade payables and related party payables		**240.433**	71.827
Other non-current assets		**(2.163)**	214.494
Other current liabilities and provisions		**(46.569)**	101.376
Other non-current liabilities and provisions		**(1.840)**	11.398
Payments of employee termination benefits	23	**(360.715)**	(150.133)
Provisions paid	23	**(24.783)**	(69.868)
Income taxes paid		**(762.154)**	(772.708)
Net cash provided by operating activities		**3.352.819**	3.065.389
INVESTING ACTIVITIES			
Interest received		**264.434**	322.293
Acquisition of subsidiaries	16	**(640)**	(11.200)
Cas effect of acquisition of subsidiary, net	18	**-**	(43.903)
Proceeds from sale of property, plant, equipment and intangible assets		**43.324**	24.310
Purchases of property, plant and equipment, investment property and intangible assets	19,21,22	**(1.637.603)**	(991.695)
Net cash used in investing activities		**(1.330.485)**	(700.195)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank borrowings		**7.160.097**	3.899.784
Repayment of bank borrowings		**(6.528.111)**	(3.686.770)
Repayment of obligations under financial leases		**(6.772)**	(7.046)
Interest paid		**(210.407)**	(195.281)
Dividends paid	24	**(2.743.605)**	(2.587.386)
Net cash used in financing activities		**(2.328.698)**	(2.576.699)
Net decrease in cash and cash equivalents		**(306.364)**	(211.505)
Cash and cash equivalents at the beginning of the period	6	**922.473**	1.133.978
Cash and cash equivalents at the end of the period	**6**	**616.109**	922.473

The accompanying policies and explanatory notes on pages 8 through 81 form an integral part of the financial statements.

1. Corporate organization and activities

Türk Telekomünikasyon Anonim Şirketi ("Türk Telekom" or "the Company") is a joint stock company incorporated in Turkey. The Company has its history in the Posthane-i Amirane (Department of Post Office) which was originally established as a Ministry on 23 October 1840. On 4 February 1924 under the Telephone and Telegraph Law No. 406, the 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 Prime Ministry Undersecretariat of Treasury ("the Treasury").

On 24 August 2005, Ojer 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 ("CMB") numbered 22/526, 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 is an entity incorporated in August 2005 under the laws of the Dubai International Financial Centre.

As of 31 December 2008 and 31 December 2007, the ultimate parent and controlling party of the Company is Saudi Oger Ltd ("Saudi Oger"), because of its 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 (Note 26). The Concession Agreement covers the provision of all kinds of telecommunication services, establishment of necessary telecommunications facilities and the use of such facilities by other licensed operators and the marketing and supply of telecommunication services. The term of the Concession Agreement is 25 years starting from 28 February 2001.

1. Corporate information (cont'd)

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 (Note18).

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 (Note 18).

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 Bilişim ve Eğitim Teknolojileri A.Ş. (SEBIT), which was officially founded on 2 December 2005 with the name as "IES Bilişim ve Eğitim Teknolojileri", "Sebit" (Note 18).

In order to offer telecommunication solution services, the Company established a new company in United Arab Emirates ("UAE") called IVEA Software Solutions FZ-LLC ("IVEA") on 13 March 2008.

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 Albtelecom Sh.A (Albtelecom) held by the Ministry of Economy and Energy of Albania to 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 – SPV1), in which the Company shall have 20% shares. Based on the Cetel Shareholders' Agreement , Cetel purchased 76% stakes of Albtelecom.

The details of the Company's subsidiaries at 31 December 2008 and 2007 are as follows:

Name of Subsidiary	Place of incorporation and operation	Principal activity	Effective ownership %	
			31 December 2008	31 December 2007
TTNet Anonim Şirketi ("TTNet")	Turkey	Internet Service Provider	**99,96**	99,96
Avea İletişim Hizmetleri A.Ş.("Avea")	Turkey	GSM Operator	**81,12**	81,12
Argela	Turkey	Telecommunications Solutions	**99,96**	99,96
Innova	Turkey	Telecommunications Solutions	**99,96**	99,96
AssisTT	Turkey	Call Centre and Customer Relations	**99,96**	99,96
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	UAE	Telecommunication Solutions	**99,96**	99,96

Hereinafter Türk Telekom, Avea, TTNet, 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.

1. Corporate information (cont'd)

The Company's registered office address and principal place of business is Turgut Özal Bulvarı, 06103 Aydınlıkevler, Ankara.

Total number of personnel as of 31 December 2008 and 2007 is stated in Note 23.

These consolidated financial statements were approved by the Board of Directors of the Company and authorized for issue on 19 February 2009. 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 entities operation outside of Turkey, the Group maintains its books of account and prepares its statutory financial statements in New Turkish lira ("TL") in accordance with Turkish Commercial Code and Tax Legislation and the Uniform Chart of Accounts ("UCA") issued by the Ministry of Finance.

In accordance with the "Law regarding the National Currency of the Turkish Republic" (law numbered 5083), the national currency of the Turkish Republic has been defined as New Turkish Lira (TRY), and its sub-unit as New Kuruş (YKR). On the other side, in accordance with the "Decision of the Council of Ministers' on the Removal of the Phrases "New" from the New Turkish Lira and New Kuruş and Application Principles", it has been decided that the phrases "New" shall be removed from the Turkish Republic national currencies TRY and YKR beginning from 1 January 2009. Hence, the accompanying financial statements have been prepared as TL and presented as thousands of TL.

The consolidated financial statements and disclosures have been prepared in accordance with the format that must be applied according to the communique numbered XI-29 announced by CMB on 9 April 2008.

The consolidated financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with CMB accounting standards 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 for long-term employee benefits according to IAS 19, accounting for provisions and the effects of application of IFRS 3 "Business Combinations".

The 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, which have been reflected at their fair values as of 31 December 2008 and 2007.

2. Basis of preparation financial statements (cont'd)

2.1 Basis of presentation of the consolidated financial statements (cont'd)

Reclassifications made to 2007 financial statements

Certain reclassifications have been made on the consolidated balance sheet as at 31 December 2007 in accordance with Capital Market Board (CMB) Accounting Standards. Advances given for inventoy amounting to TL 911 were reclassified to other current assets, advances given for property, plant and equipment amounting to TL 21.594 included in property, plant and equipment were reclassified to other current assets, receivables amounting to TL 23.380 included in other current assets were reclassified to other receivables, non current trade payables amounting to TL 13.814 were reclassified to other current payables, current trade payables amounting to TL 13.176 were reclassified to other current payables, inflation adjustment difference of the restricted reserves amounting to TL 19.184 were reclassified to retained earnings. Furthermore, TL 14.034 related with prepaid card which were net off in prior periods were grossed up in the consolidated financial statements.

Certain reclassifications have been made on the consolidated balance sheet as at 31 December 2007 in accordance with Capital Market Board (CMB) Accounting Standards. Interest income amounting to TL 322.293 and foreign exchange gain amounting to TL 420.724 have been reclassified from other operating income to financial income.In addition, foreing exchange loss amounting to TL 35.228 has been reclassified from other operating expenses to financial expenses. Compensation expense in the amount of TL 44,813 has been reclassified from other operating expenses to cost of sales.

2.2 Changes in accounting policies

New standards and interpretations

The accounting policies adopted in the preparation of the consolidated financial statements as of 31 December 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.

Adoption of new and revised international financial reporting standards

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

IFRIC 11, "Group and Treasury Share Transactions", is effective for annual periods beginning on or after 1 March 2007 and requires arrangements whereby an employee is granted options to buy equity shares, to be accounted for as equity-settled schemes by an entity even if the entity chooses or is required to buy those equity shares from another party, or the shareholders of the entity provide the equity instruments granted. The interpretation also extends to the way in which subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to equity instruments of the parent. This Interpretation applies to the way the Group's subsidiaries account, in their individual financial statements, for options granted to their employees to buy equity shares of the Company. This interpretation is not valid for the Group.

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.

2. Basis of preparation financial statements (cont'd)

Basis of presentation of the consolidated financial statements (cont'd)

Adoption of new and revised international financial reporting standards (cont'd)

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.

In the application of IFRIC 12, the Company has first determined the property, plant and equipment in 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 service concession agreement is considered out the 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. The amount reclassified is TL 425,119 and began to amortized during the Concession Agreement.

As at 1 January 2007, the Company continued to account the property, plant and equipment which is owned before 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 TL 425,118 which has been reclassified to the intangible assets as of 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.

2. Basis of preparation financial statements (cont'd)

2.2 Changes in accounting policies (cont'd)

Adoption of new and revised international financial reporting standards (cont'd)

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)
Revenue	9.232.134	9.423.567	191.433
Cost of sales (-)	(5.061.191)	(5.213.324)	(152.133)
Marketing, sales and distribution expenses (-)	(973.687)	(972.935)	752
General administrative expenses (-)	(960.958)	(955.191)	5.767
Deferred tax income	420.299	411.134	(9.165)
Profit for the year	2.508.197	2.544.853 (**)	36.656

(*) Before the reclassifications in consolidated balance sheet as of 31 December 2007 in accordance with Communique Serial XI, No:29.
(**) Before the IFRS 3 restatement of Sebit on 17 December 2007

The acquisition of Sebit on 17 December 2007 has been accounted provisionally at 31 December 2007 subject to change in accordance with IFRS 3. The acquisition accounting for the above mentioned companies has been finalized as of 31 December 2008 and the assets, liabilities and contingent liabilities determined based on IFRS 3, have been recorded based on their fair values at the date of acquisition. An increase of TL 2,011 has been realized in the temporary fair value resulting from the mentioned acquisition accounting and reflected in the consolidated statement of income. The negative goodwill amount reflected to the consolidated statement of income is TL 3,967.

IFRIC 14, "IAS 19 – Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", (effective for annual periods beginning on or after 1 January 2008) provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under IAS 19 "Employee Benefits". It also explains how this limit, also referred to as the "asset ceiling test", may be influenced by a minimum funding requirement and aims to standardize current practice. The Group expects that this Interpretation will have no impact on its financial position or performance as all defined benefit schemes are currently in deficit and none of the plans are funded.

2. Basis of preparation financial statements (cont'd)

2.2 Changes in accounting policies (cont'd)

Standards that are published as of the approval date of the financial statements but not yet effective and not early adopted by the Group and interpretations and amendments to published standards

IFRIC 13, "Customer Loyalty Programmes", (effective for annual periods beginning on or after 1 July 2008) requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. Currently, Avea offers free counters to its existing customers based on their past consumption value. These free counters granted are considered in revenue recognition process and recorded as deferred revenue. The Group does not have any other customer loyalty program under the scope of IFRIC 13.

IFRIC 15 - Agreements for the Construction of Real Estate, addresses the divergence in construction of real estate accounting treatment and clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. This interpretation was issued on 3 July 2008 and is effective for annual periods beginning on or after 1 January 2009 and must be applied retrospectively.

IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures and Classification of Financial Assets" (Revised) (Effective for annual periods beginning on or after 1 June 2008). The amendment to IAS 39 issued on 31 August 2008 permits entities to reclassify their financial assets (except for derivative financial instruments and financial instruments designated on initial recognition as at fair value through profit or loss) as assets available for sale or assets held-to-maturity under certain conditions. This amendment also permits entities to reclassify financial assets available for sale and financial assets designated on initial recognition as at fair value through profit or loss as loan or receivable where the financial asset meets the definition of a loan or receivable and the entity has the intent and ability to hold it for the foreseeable future. The amendment is effective beginning from 1 July 2008 and reclassifications made before this date are not permitted. The amendment has no impact on the financial position or performance of the Group.

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation, provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment; where within the group the hedging instrument(s) can be held in the hedge of a net investment; and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. This interpretation was issued on 3 July 2008 and is effective for annual periods beginning on or after 1 October 2009 and must be applied retrospectively.

The Management of the Company does not expect the implication of the above standards and amendments to have a significant impact on the Group's consolidated financial statement.

2. Basis of preparation financial statements (cont'd)

2.3 Changes in accounting policies (cont'd)

Standards that are published as of the approval date of the financial statements but not yet effective and not early adopted by the Group and interpretations and amendments to published standards (cont'd)

Amendments to IAS 1 "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 January 2009) : IAS 1 has been revised in order to improve the benefits of presented financial statements. Main revisions are the requirement that the statement of changes in equity includes only transactions with shareholders; the introduction of a new statement of comprehensive income that combines all items of income and expense recognised in profit or loss together with "other comprehensive income"; and the requirement to present restatements of financial statements or retrospective application of a new accounting policy as at the beginning of the earliest comparative period, i.e. a third column on the balance sheet. The Group has decided to apply the change in IAS 1 for annual periods beginning on 1 January 2009.

IFRS 8, "Operating Segments", (effective for annual periods beginning on or after 1 January 2009) replaces IAS 14 'Segment Reporting' and adopts a management-based approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the balance sheet and income statement and entities will need to provide explanations and reconciliations of the differences. The Group has decided to reflect the information regarding operating segments in accordance with IFRS 8 for annual periods beginning on 1 January 2009.

Amendment to IAS 23 "Borrowing costs" (effective for annual periods beginning on or after 1 January 2009) eliminates the benchmark treatment of expensing all borrowing costs in the case of qualifying assets to the income statement. All borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset must be capitalized. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements of the Standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed. The Group expects that this amendment will have no impact on the financial statements.

Amendments to IFRS 2 "Share Based Payment" – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarify two issues: The definition of 'vesting condition', introducing the term 'non-vesting condition' for conditions other than service conditions and performance conditions. It also clarifies that the same accounting treatment applies to awards that are effectively cancelled by either the entity or the counterparty. It is not expected that IFRS 2 will have an impact on the Group's financial statements.

Amendments to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements" "Puttable Financial Instruments" (effective for annual periods beginning on or after 1 January 2009) requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity.

Revisions to IFRS 3 "Business Combinations" and IAS 27 "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 July 2009): A revised version of IFRS 3 and an amended version of IAS 27 were issued by IASB on 10 January 2008. Revised IFRS 3 (IFRS 3R) introduces a number of changes in the accounting for business combinations, which will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognizing subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill). Amended IAS 27 (IAS 27R) requires that a change in ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. This amendment must be retrospectively and prospectively.

2. Basis of preparation financial statements (cont'd)

2.4 Changes in accounting policies (cont'd)

Standards that are published as of the approval date of the financial statements but not yet effective and not early adopted by the Group and interpretations and amendments to published standards (cont'd)

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements: The amendments to IFRS 1 allows an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognized in the income statement in the separate financial statement. Both revisions will be effective for financial years beginning on or after 1 January 2009. The revision to IAS 27 will have to be applied prospectively. The new requirements will not have any effect on the Group's financial statements.

IFRIC 17 "Distributions of Non-cash Assets to Owners" (effective for annual periods beginning on or after 1 July 2009 and must be applied prospectively). The interpretation applies to all non-reciprocal distributions of non-cash assets, including those giving the shareholders a choice of receiving non-cash assets or cash. The Group is currently assessing the effect of the interpretation on the consolidated financial statements.

IFRIC 18 "*Transfers of Assets from Customers"* (effective for annual periods beginning on or after 1 July 2009) The standard provides guidance on how to account for items of property, plant and equipment or cash for the acquisition or construction of such items received from customers. The Group is currently assessing the effect of the interpretation on the consolidated financial statements.

IAS 39 "Financial Instruments: Recognition and Measurement – Eligible Hedged Items": These amendments to IAS 39 were issued in August 2008 and become effective for financial years beginning on or after 1 July 2008. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

2. Basis of preparation financial statements (cont'd)

2.2 Changes in accounting policies (cont'd)

Improvements to IFRSs

In May 2008 the Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are seperate transitional provisions for each standard. The Group has not early adopted the following amendments and does not expect these amendments to impact the consolidated financial statements of the Group significantly.

- *IAS 1 Presentation of Financial Statements:* Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the balance sheet.

- *IAS 16 Property, Plant and Equipment:* Replace the term "net selling price" with "fair value less costs to sell".

- *IAS 23 Borrowing Costs:* The definition of borrowing costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39.

- *IAS 28 Investment in associates:* If an associate is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies.

- *IAS 31 Interest in Joint Ventures:* If a joint venture is accounted for at fair value, in accordance with IAS 39, only the requirements of IAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply..

- *IAS 36 Impairment of Assets:* When discounted cash flows are used to estimate "fair value less cost to sell" additional disclosure is required about the discout rate, consistent with disclosures required when the discounted cash flows are used to estimate "value in use".

- *IAS 38 Intangible Assets:* Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. The reference to there being rarely, if ever, persuasive evdience to support an amortization method of intangible assets other than a straight-line method has been removed.

- *IFRS 7 Financial Instruments: Disclosures:* Removal of the implementation guidance contained previously in IFRS 7 indicating that total interest income could be presented as a component of net finance costs.

- *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors:* When determining accounting policies, the obligation of a relevant implementation guidance is an indispensable part of IFRS.

- *IAS 10 Events after the Reporting Period:* Clarification of the reason why dividends declared after the reporting period are not recognised as a liability

2. Basis of preparation financial statements (cont'd)

2.2 Changes in accounting policies (cont'd)

Improvements to IFRSs (cont'd)

- *IAS 16 Property, Plant and Equipment:* Property, plant and equipment held for rental are generally either sold or are transferred to inventories at their carrying amount when they cease to be rented and are held for sale.
- *IAS 18 Revenue:* Aligning IAS 18 guidance on transaction costs related to originating a financial asset with the definition of transaction costs as included in IAS 39.
- *IAS 19 Employee Benefits:* Revises the definition of past service costs, return on plan assets and short and long-term employee benefits. Plan amendments reduce benefits for future services and are recognized as a curtailment. Remove the IAS 19 reference to the recognition of contingent liabilities in order to achieve consistency with IAS 37.
- *IAS 20 Accounting for Government Grants and Disclosure of Government Assistance:* The benefit of a loan with a below-market rate of interest received from a government should be quantified by imputing interest in accordance with IAS 39. The difference between the received and deducted amount is treated as a government grant. In addition, the revised terms should be in conformity with terms in other IFRSs.
- *IAS 27 Consolidated and Seperate Financial Statements:* A parent entity shall measure investments in subsidiaries at fair value in accordance with IAS 39 when classified as held for sale.
- *IAS 29 Financial Reporting in Hyperinflationary Economies:* Amendment to reflect the fact that in historical cost financial statements, some assets and liabilities may be measured at current values (e.g. property, plant and equipment measured at fair value). The revised terms should be in conformity with terms in other IFRSs.
- *IAS 34 Interim Financial Reporting:* İf an entity is within the scope of IAS 33, basic and diluted earnings per share must be disclosed in interim financial statements
- *IAS 39 Financial Instruments: Recognition and Measurement:* Changes in the position of derivative instruments do not constitute a reclassification and consequently, financial instruments may be reclassified into or out of the classification of at fair value through profit or loss. The IAS 39 reference to the need to designate hedging instruments at the segment level has been removed to eliminate a conflict between IAS 39 and IFRS 8 Operating Segments. On cessation of fair value hedge accounting, the use of a revised effective interest rate is needed.
- *IAS 40 Investment Property:* Property under construction or development for future use is classified as investment property. If the fair value cannot be calculated reliably, the continuing construction is carried at cost, until the fair value can be calculated or the construction is completed. In addition, IAS 40 terminology has been aligned with respect to voluntary changes in accounting policies with such terminology used in IAS 8.
- *IAS 41 Agriculture:* The reference to the requirement to use the pre-tax market determined discount rate to determine fair value has been removed. The inability to consider "additional biological transformation" in IAS 41 when calculating fair value using discounted cash flows has been removed. The term "point-of-sale costs" has been replaced with the term "costs to sell".
- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations:* If an entity will lose control of a subsidiary as part of a sale plan, then it would classify such subsidiary's assets and liabilities as held for sale.

2. Basis of preparation financial statements (cont'd)

2.3 Basis of consolidation

As of 31 December 2008 the consolidated financial statements include the financial results of Türk Telekom, TTNet, Avea, Innova, Argela, AssisTT, Sebit, Argela - USA, Inc, IVEA and Sebit LLC. 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 statements of income from the effective date of acquisition as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are prepared for the same reporting year 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 (see below) and the minority's share of changes in equity since the date of the acquisition. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. As of 31 December 2008, the minority interest in Innova, Argela, AssisTT, Sebit, Argela USA Inc., IVEA and Sebit LLC have not been presented separately in the consolidated financial statements due to their immateriality.

On 15 September 2006, the Company, İş Bank Group and other Avea shareholders signed an "Amendment Agreement" to the "Shareholder Agreement" and the "IPO and Put Agreement" originally dated 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 recognised 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 (Note 11 and 24).

3. Significant accounting policies

Business combinations

The new company/subsidiaries of the Group acquired from third parties have been accounted for using the purchase method of accounting in the scope of IFRS 3 "Business Combinations". The purchase method of accounting involves allocating the cost of acquisition to the assets acquired and liabilities and contingent liabilities assumed based on their fair values at the date of acquisition.

3. Significant accounting policies (cont'd)

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Whenever the carrying amount exceeds the recoverable amount, an impairment loss is recognized in the consolidated statement of income.

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

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

Investment in an associate

The Company accounts for its investments in associate by using the equity method. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method of accounting, the interest in the associate is carried in the balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of the individual investment. Due to insufficient control power at Cetel, the Group should use the equity method of consolidation, however, since the financial information needed to apply the equity method could not be obtained on time, the financial statements of Cetel have been consolidated at cost as of 31 December 2008 and 2007.

3. Significant accounting policies (cont'd)

Property, plant and equipment

Property, plant and equipment ("PPE") is carried at cost less accumulated depreciation and any accumulated impairment losses. The Group elected to measure property, plant and equipment of the Company on a deemed cost basis in the first period of application of IAS 29 since detailed records of the acquisition date and costs of items of PPE were not available for the Company prior to 1 January 2000. The Group used independent professional assessments of the fair value of PPE as the basis for their restatement. The 1999 deemed cost values for land and buildings were appraised by Vakıf Gayrimenkul Ekspertiz ve Değerlendirme A.Ş., Ekol Gayrimenkul Değerleme ve Danışmanlık A.Ş. and Tadem Taşınmaz Değerleme Müşavirlik A.Ş. in 2006 on a retrospective basis. The 1999 network equipment and vehicles values were appraised by Detecon International GmbH. Other than the PPE for which cost was determined on a deemed cost basis, the cost of PPE generally comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

Depreciation is charged so as to write off the cost less residual value (if any) of PPE, other than land and construction in progress, over the their estimated useful economic lives using the straight-line method.

The depreciation periods for PPE are as follows (considering Concession Agreement, 2008 acquisitions useful lives are limited to 18 years):

	Years
Buildings	21 years
Outside plant	5-21 years
Transmission equipment	5-21 years
Switching equipment	5-8 years
Data networks	3-10 years
Vehicles	5 years
Furniture and fixtures	3-5 years
Other tangible assets	2-8 years

The remaining useful lives of the PPE are limited to the concession periods.

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

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

3. Significant accounting policies (cont'd)

Revenue sharing projects

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

Investment property

Investment properties, which are properties held to earn rent and/or for capital appreciation are measured initially at cost, including transaction costs and subsequent to initial recognition, investment properties, are stated at their cost less accumulated depreciation and any accumulated impairment losses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. The Group decided to measure investment property on a deemed cost basis in the first period of application of IAS 29, since detailed records of the acquisition date and costs of items of investment property were not available prior to 1 January 2000. Professional assessments of the 1999 market values were conducted by independent appraisers, Vakıf Gayrimenkul Ekspertiz ve Değerlendirme A.Ş., Ekol Gayrimenkul Değerleme ve Danışmanlık A.Ş. and Tadem Taşınmaz Değerleme Müşavirlik A.Ş. in 2006 on a retrospective basis. Following initial recognition, investment properties are carried at cost less any accumulated amortization and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of investment properties other than land, over their estimated useful economic lives, using the straight-line method. The lower of concession period and useful life for buildings is 21 years (considering Concession Agreement, 2008 acquisitions useful lives are limited to 18 years).

Assets held for sale

The Group classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

For the sale to be highly probable; the appropriate level of management must be committed to a plan to sell the asset and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

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

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

3. Significant accounting policies (cont'd)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is charged to the consolidated statement of income in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. The Group does not have any intangibles with indefinite useful lives. Intangible assets with finite lives are amortized on a straight line basis over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income. The amortization periods for intangible assets are between 3 and 20 years. The remaining useful lives of the material intangible items are limited to the concession periods (considering the Concession Agreement, 2008 acquisitions useful lives are limited to 18 years).

Research and development costs

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

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Impairment of PPE and intangible assets excluding goodwill

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

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of income.

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

3. Significant accounting policies (cont’d)

Inventories

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

Financial instruments

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

When a financial instrument gives rise to a contractual obligation on the part of the Group to deliver cash or another financial asset or to exchange another financial instrument under conditions that are potentially unfavorable, it is classified as a financial liability. The instrument is an equity instrument if, and only if, both conditions (a) and (b) below are met:

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

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

Cash and cash equivalents

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

Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognized and carried at original invoice amount less an allowance for any uncollectible amounts and are subsequently measured at amortized cost. Short duration receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

Trade and other payables

Trade and other payables are initially measured at fair value.. Short duration payables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at the fair value of the consideration received, less directly attributable costs and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings through the amortisation process, using the effective interest rate method as explained above. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

3. Significant accounting policies (cont'd)

Bank borrowings (cont'd)

Bank borrowings, which are generally at variable rates and are denominated in foreign currencies, are translated at period-end exchange rates. The fair value of borrowings for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Derivative financial instruments

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

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

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group assesses the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

3. Significant accounting policies (cont'd)

Derivative financial instruments (cont'd)

Cash flow hedges

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

Amounts taken to the consolidated statement of recognized income and expense are transferred to consolidated statement of income when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to the consolidated statement of recognized income and expense are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or commitment is no longer expected to occur, amounts previously recognized in the consolidated statement of recognized income and expense are transferred to consolidated statement of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in the consolidated statement of recognized income and expense remain in the consolidated statement of recognized income and expense until the forecast transaction or commitment occurs.

Equity instruments

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

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a company of similar financial assets) is derecognized where:

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3. Significant accounting policies (cont'd)

Financial liabilities

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

Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

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

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

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognised in the consolidated statement of income, is transferred from equity to consolidated statement of income. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the consolidated statement of income. Reversals of impairment losses on debt instruments are reversed through the consolidated statement of income, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of income.

Related parties

Parties are considered related to the Group if;

(a) directly, or indirectly through one or more intermediaries, the party:
    (i) controls, is controlled by, or is under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries);
    (ii) has an interest in the Group that gives it significant influence over the Group; or
    (iii) has joint control over the Group;
(b) the party is an associate of the Group;
(c) the party is a joint venture in which the Group is a venturer;
(d) the party is member of the key management personnel of the Group or its parent;

3. Significant accounting policies (cont'd)

Related parties (cont'd)

(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

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

Long-term employee benefits

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

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

Provisions

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

Contingent assets and liabilities

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

A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed, where an inflow of economic benefits is probable (Note 26).

3. Significant accounting policies (cont'd)

Taxation and deferred income taxes

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

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

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

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

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

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

Prepaid corporation taxes and corporate tax liabilities are offset when they relate to income taxes levied by the same taxation authority. Deferred tax assets and liabilities are also offset in those cases.

Lease accounting

Leasing - the Group as lessor

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

Leasing - the Group as lessee

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

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

3. Significant accounting policies (cont'd)

Lease accounting (cont'd)

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

Offsetting

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

Revenue recognition

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

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

Fixed-line revenues

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

GSM revenues

Revenues generated from mobile telecommunication services such as outgoing traffic, incoming traffic, roaming revenues, revenues from Value Added Services and monthly fees are recorded at the time services are rendered. With respect to prepaid outgoing revenues, the Group generally collects cash in advance by selling scratch cards to dealers and distributors. In such cases, the Group does not recognize revenues until the subscribers use the service. Instead they are recognized as deferred revenues on the consolidated balance sheet. Handsets and other peripheral equipment sales revenue are recognized when delivered to the customers.

Bundled service offers are mainly made up of two components, a product and a service. Sales of packaged handset and post-paid service offers are considered as comprising identifiable and separate components to which general revenue recognition criteria can be applied separately. Once the separate components have been identified, the amount received or receivable from the customer is allocated based on each component's fair value. The sum allocated to delivered items is limited to the amount that is not dependent on the delivery of other items, which is generally nil.

The Group recognizes content revenue based on the agreement between the Group and the content providers. As the Group is the primary obligor of the service, the revenue received from the subscribers is presented on gross basis and the portion paid to the content providers is recognised as operating expense (Note 29).

3. Significant accounting policies (cont'd)

Borrowing costs

Borrowing costs are recognized in the consolidated statement of income in the year in which they are incurred.

Other income

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

Subscriber acquisition costs

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

4. Critical accounting judgments and key sources of estimation uncertainty

Critical judgments in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 3, the Management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements (apart from those involving estimations).

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

b) *Minority Put Option Valuation* – On valuing the minority put option; the Group considered that there will be no Initial Public Offering ("IPO") for Avea before 31 December 2010 and, therefore, expects that the put option will be exercisable at the earliest as of 1 January 2011.

c) Critical judgments of the Group in relation with IFRIC 12 are explained in "Changes in accounting policies" under the header IFRIC 12.

Key sources of estimation uncertainty

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

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

b) The Group has estimated the fair value of the minority put option based on multiple approaches including discounted cash flows after 31 December 2010 and comparables of applicable Equity Value (EV)/EBITDA, EV/Sales and EV/subscriber for mature operators in Western Europe, Asia, the Middle East and North Africa having revenue growth rates similar to Avea. The average of the values determined as of 31 December 2010 is then discounted back to 31 December 2008.

4. Critical accounting judgments and key sources of estimation uncertainty (cont’d)

Significant accounting judgments and changes in use of estimates

a) The uncertainties encountered by the Group in applying the accounting policies for the year ended 31 December 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:

   i) 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 TL 5.126 in the consolidated financial statements for the foreseen contractual replacements in the future. Aforementioned provision is the present value as at 31 December 2008 of the contractual replacement expenses that will be realized in the future. Discount rate is determined as 13%.

   ii) 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 is determined as 13% for the year ended 31 December 2008. The profit margin of property, plant and equipment in the scope of IFRS 12 and amounting to TL 650,890 is TL 11,548 (2007 – TL 22.023).

b) A deferred tax asset is recognized only to the extent that it is probable that a tax benefit will be realized in the future. If it is probable that a tax benefit will be realized, a deferred tax asset is recognized on unused tax losses, unused tax credits and other deductible temporary differences. Considering there was no clear evidence that sufficient taxable profits would be available in Avea, the Group had followed a prudent approach and did not recognize any deferred tax assets for deductible differences in excess of taxable temporary differences expected to reverse in same periods, in previous years. As of 31 December 2008, the Group has reassessed unrecognized deferred tax assets. With the expectation to recover certain part of its tax losses carried forward in Avea, the Group has recognized deferred tax assets on statutory tax losses available for offsetting with future statutory taxable profits amounting to TL 245,000 as of 31 December 2008. The Group has not considered other temporary differences in Avea deferred tax assessment as the Management expects those other temporary differences (e.g. arising from the impairment of the license) to reverse in earlier periods when they will not be recoverable.

c) In 2008, the Group has reassessed the voluntary employee withdrawal rates used as actuarial assumptions during the calculation of long-term employee benefits. The voluntary withdrawal rates have been revised based on the expected effect of being a private company on the employee voluntary withdrawals.

d) There are other estimations made by the Management during the determination of the provisions for litigation (Note 23) and allowances for doubtful receivables.

5. Segment reporting

The Group has two segments: Fixed line and GSM. Fixed line services are provided by Turk Telekom and TTNET whereas GSM service is provided by Avea. The segment results and capital expenditure are presented below:

	Fixed line		**GSM**		**Eliminations**		**Consolidated**	
	1 January – 31 December 2008	1 January – 31 December 2007	**1 January – 31 December 2008**	1 January– 31 December 2007	**1 January – 31 December 2008**	1 January – 31 December 2007	**1 January – 31 December 2008**	1 January – 31 December 2007
Revenue								
Domestic PSTN	**5.217.785**	5.336.317	**-**	-	**-**	-	**5.217.785**	5.336.317
ADSL	**1.669.572**	1.224.196	**-**	-	**-**	-	**1.669.572**	1.224.196
GSM	**-**	-	**2.113.118**	1.705.854	**-**		**2.113.118**	1.705.854
IFRIC 12 revenue	**100.382**	191.433	**-**	-	**-**	-	**100.382**	191.430
Data service revenue	**239.112**	170.281	**-**	-	**-**	-	**239.112**	170.281
Foreign sales	**216.278**	210.000	**-**	-	**-**	-	**216.278**	210.000
Interconnect revenue	**171.683**	169.578	**-**	-	**-**	-	**171.683**	169.578
Leased lines	**556.070**	523.283	**-**	-	**-**	-	**556.070**	523.283
Rent income from GSM operators	**114.130**	117.379	**-**	-	**-**	-	**114.130**	117.379
Other	**34.197**	9.112	**-**	-	**-**	-	**34.197**	9.112
Discounts / returns	**(462)**	(8.988)	**-**	(4.775)		-	**(462)**	(13.763)
Eliminations	**-**	-	**-**	-	**(236.918)**	(220.103)	**(236.918)**	(220.103)
Total revenue	**8.318.747**	7.942.591	**2.113.118**	1.701.079	**(236.918)**	(220.103)	**10.194.947**	9.423.567
Cost of sales and operating expenses (excluding depreciation and amortization)	**4.676.425**	4.359.458	**1.670.277**	1.409.180	**(236.918)**	(220.103)	**6.109.784**	5.548.535
Depreciation and amortization	**1.131.159**	1.157.830	**500.616**	479.898		-	**1.631.775**	1.637.728
Doubtful receivable provision	**214.916**	238.121	**44.582**	26.309	**-**	-	**259.498**	267.430
Capital expenditure	**1.291.133**	897.767	**465.043**	289.479 (*)	**-**	-	**1.756.175**	1.187.246

(*) Includes assets acquired through financial leasing amounting to TL 4,121.

5. Segment reporting (cont'd)

31 December 2008

	Fixed Line	GSM	Eliminations	Total
Total segment assets	**8.362.608**	**4.433.345 (**)**	**(136.507)**	**12.659.446**
Total segment liabilities	**(3.748.375)**	**(3.345.812)**	**(451.652) (*)**	**(7.545.839)**
Goodwill	**19.040**	**29.695**	**-**	**48.735**

31 December 2007

	Fixed Line	GSM	Eliminations	Total
Total segment assets	8.578.467	4.305.857	(114.190)	12.770.134
Total segment liabilities	(3.520.341)	(2.416.143)	(673.810)	(6.610.294)
Goodwill	19.040	29.695	-	48.735

(*) Includes minority put option liability amounting to TL 586,439 (2007 – TL 788,000).
(**) Includes goodwill amounting to TL 29,695 (2007 – TL 29,695).

6. Cash and cash equivalents

	31 December 2008	31 December 2007
Cash on hand	**1.305**	1.147
Cash at banks – Demand deposits	**246.452**	223.865
Cash at banks – Time deposits	**793.776**	1.107.676
Other	**449**	104
	1.041.982	1.332.792

Time deposits are all short-term, maturing within one month and denominated in both foreign currencies and TL. The effective interest rates are between 12.50 % - 23.00% for TL deposits, between 0.15 % - 8.00 % for USD deposits and between 2.21 % - 7.5 % for Euro deposits. (2007 - 13% - 19.39% for TL deposits, 1.00% - 5.60% for USD deposits and 1.00% – 5.04% for Euro deposits).

As of 31 December 2008, TL 258,092 (2007 - TL 241,981) included in time deposits represents advances received from the Turkish Armed Forces for Turkish Armed Forces Integrated Communication Systems (TAFICS) projects. The interest income from these time deposits are added to the advances received and not reflected in the consolidated statement of income as per agreement between parties (Note 12). These time deposits are restricted and can only be used for payments related to TAFICS projects.

As of 31 December 2008, a demand deposit amounting to TL 155,794 (2007 – TL 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 additional amount of TL 3,722 arising from collections through automated teller machine ("ATM") is not available for use at 31 December 2008 (2007 - TL 3,809).

6. Cash and cash equivalents (cont'd)

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

	31 December 2008	31 December 2007
Cash and cash equivalents	**1.041.982**	1.332.792
- TAFICS projects	**(258.092)**	(241.981)
- Collection protocols	**(155.794)**	(155.190)
- ATM collection	**(3.722)**	(3.809)
- Other	**(8.265)**	(9.339)
	616.109	922.473

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 TL 550,480 at 31 December 2008; TL 2007-292,401) in favour of Security Trustee. Avea is required to pledge any new bank account as they are opened and also to inform the Security Trustee on a monthly basis about such new accounts as well as the closed accounts.

Avea's cash and cash equivalents included in the consolidated financial statements amounts to TL 550,576 (2007 – TL 292,463).

7. Borrowings

	31 December 2008			31 December 2007		
	Weighted average effective interest rate%	**Original amount**	**TL Equivalent**	Weighted average effective interest rate%	Original amount	TL Equivalent
Short-term borrowings:						
TL bank borrowings	**%22,80**	**738.281**	**738.281**		294	294
USD bank borrowings with fixed interest rates	**-**	**-**	**-**	%6	2.067	2.407
USD bank borrowings with variable interest rates	**%4,52**	**185.000**	**279.776**	%6,10-%7,48	300.000	349.410
Interest accruals:						
TL bank borrowings with variable interest rates		**17.034**	**17.034**		-	-
USD bank borrowings with variable interest rates		**25.563**	**38.659**		31.875	37.125
Euro bank borrowings with variable interest rates		**1.532**	**3.279**		1.453	2.484
Current installments' of non-current bank borrowings						
USD bank borrowings with variable interest rates (*)	**%6,23**	**129.069**	**195.190**	%7,48	44.773	52.147
Euro bank borrowings with variable interest rates (**)	**%7,84**	**6.240**	**13.359**	%7,30	1.511	2.584
Total short-term borrowings			**1.285.578**			446.451
Long-term borrowings:						
USD bank borrowings with variable interest rates (*)	**%6,23**	**1.304.882**	**1.973.373**	%7,25	1.318.901	1.536.124
Euro bank borrowings with variable interest rates (**)	**%7,84**	**69.848**	**149.531**	%7,30	73.047	124.924
Total long-term borrowings			2.122.904			1.661.048

(*) Libor + (varies between 1.10 – 2.40) spread
(**) Libor + 2.55 spread

As of 31 December 2008 the fair value of the bank borrowings is TL 3,408,481 (2007 - TL 2,208,582). Avea's total borrowings included in the consolidated financial statements amounts to TL 2,369,672 (2007 – TL 1,748,568).

7. Borrowings (cont'd)

The carrying amounts of the bank borrowings with floating rates and with fixed rates of the Group which classified in terms of periods remaining to maturity dates are as follows:

	31 December 2008				31 December 2007			
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Total**	Up to 3 months	3 months to 1 year	1 year to 5 years	Total
TL bank borrowings with fixed interest rates	**755.315**	**-**	**-**	**755.315**	294	-	-	294
USD bank borrowings with fixed interest rates	**-**	**-**	**-**	**-**	-	2.407	-	2.407
USD bank borrowings with variable interest rates	**133.498**	**380.128**	**1.973.373**	**2.486.999**	40.047	398.635	1.536.124	1.974.806
Euro bank borrowings with variable interest rates	**9.958**	**6.679**	**149.531**	**166.168**	2.490	2.578	124.924	129.992
	898.771	**386.807**	**2.122.904**	**3.408.482**	42.831	403.620	1.661.048	2.107.499

The carrying amounts of the bank borrowings at the earlier of contractual re-pricing and maturity dates are as follows:

	31 December 2008				31 December 2007			
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Total**	Up to 3 months	3 months to 1 year	1 year to 5 years	Total
TL bank borrowings with fixed interest rates	**755.315**	**-**	**-**	**755.315**	294	-	-	294
USD bank borrowings with fixed interest rates	**-**	**-**	**-**	**-**	-	2.407	-	2.407
USD bank borrowings with variable interest rates	**2.204.467**	**282.532**	**-**	**2.486.999**	1.618.576	356.230	-	1.974.806
Euro bank borrowings with variable interest rates	**166.168**	**-**	**-**	**166.168**	129.992	-	-	129.992
	3.125.950	**282.532**	**-**	**3.408.482**	1.748.862	358.637	-	2.107.499

7. Borrowings (cont'd)

In 2007, the Group achieved the restructuring of Avea's short term debt through a long term financing package Multi Tranche Project Finance ("MTPF"). Through the MTPF, the Group extended the maturities of its borrowings up to 8 to 9 years and the Group provided certain guarantees for this MTPF.

The following borrowings at 31 December 2008 and 2007 are secured by a security package:

		31 Aralık 2008			31 Aralık 2007	
	USD	**EURO**	**TL tutarı**	ABD doları	EURO	TL tutarı
Security Package	**1.451.856**	**76.440**	**2.359.285**	1.386.811	75.375	1.744.125

Berfore the merge of the Company's former subsidiary Aycell Haberleşme ve Pazarlama Hizmetleri A.Ş. ("Aycell") with Aria İletişim Hizmetleri A.Ş. ("Aria", former subsidiary of İş-TIM Telekomünikasyon Hizmetleri A.Ş.), Aria was granted financing from its network suppliers in 2001 for the acquisition of its property and equipment secured with a security package created in favour of the Security Agent acting on behalf of the Senior Secured Creditors of Avea. In 2004, subsequent to merger of Aria and Aycell, the security package was revised via a new Amendment Agreement to the original Onshore Bank Account Pledge Agreement and via a new Commercial Enterprise Pledge Agreement. Consent was received from all Senior Secured Creditors for the release of the Share Pledge Agreement. Accordingly, the revised security package consists of:

- Commercial Enterprise Pledge on all movable fixed assets of commercial enterprise of Aria and the trade name of Avea, excluding the movable fixed assets of commercial enterprise of Aycell. The Commercial Enterprise Pledge secures the Senior Secured Financial Indebtedness of Avea up to a maximum amount of TL 1 billion (equivalent to USD 661,244 at 31 December 2008). At 31 December 2008, the total Senior Secured Financial Indebtedness of Avea amounts to approximately TL 2.359.285 (2007 - TL 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 (amounting to TL 550,480 as at 31 December 2008; 2007- TL 292,401).
- 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.

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.

   b) Net Debt to EBITDA Ratio of Avea should be max 5 for the first reporting period starting as of 31 December 2008 and maintain certain levels as set out in the Finance Documents thereafter.

2. General undertakings, among others, are:

   a) License agreement (Avea 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.

7. Borrowings (cont'd)

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) Acquisition of assets: The Company should not acquire assets during the period beginning on January 1, 2006 and ending on December 31, 2008 for cumulative consideration that exceeds by more than 17.5% the cumulative amount set out in the Lenders' Base Case (business plan) for capital expenditure during such period.

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 31 December 2007, the Management of the Group has reviewed the financial covenants and general undertakings of Avea and concluded that there is no breach on the above conditions except for the "acquisition of assets" general undertaking. Avea obtained the waiver letter on February 6, 2009 for the acquisition of assets from the lenders in the allowed remedy period which does not result in any default.

8. Trade receivables and payables - net

a) Trade receivables – net

	31 December 2008	31 December 2007
Short-term		
Trade receivables	**2.341.608**	2.119.320
Other trade receivables	**42.296**	53.012
Allowance for doubtful receivables (-)	**(1.058.918)**	(890.069)
Total short-term trade receivables	**1.324.986**	1.282.263
Long-term		
Trade receivables	**-**	1.143
Total long-term trade receivables	**-**	1.143

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

	1 January - 31 December 2008	1 January - 31 December 2007
At 1 January	**(890.069)**	**(759,453)**
Provision for the year	**(252.452)**	**(265,437)**
Reversal of provision - collections (Note 31)	**80.513**	**124,547**
Utilisation of provision - Write off doubtful receivables	**3.090**	**10,274**
At 31 December	**(1.058.918)**	**(890,069)**

8. Trade receivables and payables – net (cont'd)

a) Trade receivables – net (cont'd)

As of 31 December 2008, the analysis of trade receivables that were past due but not impaired is as follows:

			Past due but not impaired				
	Total	**Neither past due nor impaired**	**< 30 days**	**30-60 days**	**60-90 days**	**90-120 days**	**>120 Days**
31 December 2008	**1.324.986**	**871.988**	**257.321**	**105.129**	**52.375**	**8.060**	**30.113**
31 December 2007	1.282.263	768.698	354.699	94.262	45.425	9.570	9.609

The doubtful receivable allowance provided by the Group on an individual and portfolio basis as of 31 December 2008 is TL 834,832 and TL 224,086 (2007 – TL 712,634 and TL 177,435) respectively.

The total guarantees received from the Avea dealers amount to TL 49,227 (2007 - TL 169.465).

b) Trade payables – net

Trade payables comprise amounts outstanding for trade purchases.

	31 December 2008	31 December 2007
Short- term		
Trade payables	**881.130**	650.087
Notes payable	**61**	-
Other trade payables	**128**	5.211
	881.319	655.298
Long-term		
Trade payables	**-**	-
	881.319	655.298

Trade payables amounting to TL 1,244 as at 31 December 2008 (2007 - TL 14,272) represent payable to suppliers due to TAFICS projects (Note 6).

The average term of trade payables is between 30 and 90 days (2007 – 30 and 90 days)

9. Finance lease receivables and obligations - net

Finance lease:

The Group has no financial lease receivables as of 31 December 2008 and 2007.

Avea has entered into finance lease contracts for acquisition of network equipment and a building. The Group has the following finance lease obligations (present value of payments):

	31 December 2008	31 December 2007
Within one year	**5.233**	4.039
Between one to two years	**5.068**	3.709
Between two to five years	**17.330**	12.950
Later than five years	**19.129**	20.227
	46.760	40.925

9. Finance lease receivables and obligations – net (cont'd)

A summary of minimum payments for commitments in relation to finance leases is as follows:

	31 December 2008	31 December 2007
Within one year	**8.416**	6.827
Between one to two years	**7.618**	5.901
Between two to five years	**22.854**	18.202
Later than five years	**20.895**	22.877
Less: Future finance charges	**(13.023)**	(12.882)
Present value of finance lease liabilities	**46.760**	40.925

Operating leases:

After the foundation of the Company, an agreement was signed between PTT and the Company in 1997 to grant the right of free use of buildings occupied by both parties for 49 years. In 2005, an amendment made to the agreement requiring the Company to pay TL 35,000 per year for ten years (excluding the increase which will be decided by Ministry of Finance) to the PTT in exchange for the use of net m^2 of building space owned by the PTT but occupied by the Company or vice versa. The parties will renegotiate the term of the agreement at the end of ten years. Since the transaction between PTT and the Company is fictitious, it has been reflected on a net cash basis in the consolidated financial statements, instead of fair value (Note 20).

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

a)

	31 December 2008 (*)	31 December 2007 (*)
Within one year	**35.000**	35.000
In the second to fifth years (inclusive)	**140.000**	140.000
After fifth year	**1.400.000**	1.435.000
	1.575.000	1.610.000

(*) Future escalations have not been considered.

b) The revenue from leased lines for the year ended 31 December 29008 is TL 455.818 (2007 – TL 425.466).

Avea entered into operating lease agreements with respect to base stations and leased lines. Total operating lease expense for 2008 amounts to TL 178,411.

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

	31 December 2008	31 December 2007
Within one year	**56.578**	4,653
Between one to two years	**40.299**	14,952
Between two to five years	**60.486**	74,420
Later than five years	**21.048**	29,381
	178.411	123,406

10. 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. Institutions under state control are defined as institutions where the state has power of control. Because of the 15% ownership of the Treasury on the Company, state controlled institutions are defined as related parties.

Details of balances and transactions between the Group and other related parties are disclosed below:

	31 December 2008	31 December 2007
Amounts owed by related parties		
State controlled entities	**84.747**	74.615
Cell-C Ltd. (1)	**96**	13
PTT	**4.303**	8.278
Other	**3.798**	266
	92.944	83.172
Amounts owed to related parties (current liabilities)		
State controlled entities	**14.288**	2.919
Oger Telecom Yönetim Hizmetleri Limited Şirketi (OTMSC) (2)	**4.557**	2.577
PTT	**1.973**	1.288
Other	**799**	321
	21.517	7.105
Amounts owed to related parties (non-current liabilities)		
State controlled entities	**336**	-
	336	-

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

Transactions with Shareholders:

The transactions with the Treasury during 2008 comprised of dividend payment amounting to TL 1,234,622 (2007 TL 1,164,326). The transactions with OTAŞ in 2008 comprised of dividend payments amounting to TL 1,508,983 (2007 - TL 1,423,060).

Furthermore, Avea is required under the terms of the Avea Concession Agreement, to pay a share of 15% (the Treasury Share) of its monthly gross revenue to the Treasury. As of 31 December 2008 the treasury share is TL 29,238 (2007 – TL 28,244).

Transactions with other related parties:

Postage services rendered in 2008 by PTT to the Group amounted to TL 160,858 (2007 - TL 143,582) while commission for collection of invoices and other services in 2008 amounted to TL 34,863 (2007 - TL 50,921).

Long-term employee benefit liabilities as of 31 December 2008 is TL 545 (2007 – TL 400).

10. Related party balances and transactions (cont'd)

Guarantees provided to related parties:

The Company supports the long term financing of Avea as explained in Note 7. The guarantees given for Cetel's financing amounts to EUR 8,000.

Furthermore, OTMSC charged to the Company a management fee for an amount of TL 25,943 for the year ended 31 December 2008 (2007 – TL 27,258), based on the contract between OTMSC and the Company. OTMSC's ultimate parent company is Saudi Oger. The contract was signed in April 2006 for a total of USD 60,000 for the three years. This arrangement also includes certain managers' salaries that have been seconded to the Company.

Compensation of key management personnel:

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

	31 December 2008	31 December 2007
Short-term benefits	**25.172**	10.837
Long-term defined benefit plans	**603**	400
	25.775	11.237

11. Minority put option

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

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

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

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

The Company has determined the value of the minority put option as of 31 December 2007 based on the assumption that there will not be an IPO before 31 December 2010 and İş Bank Group will exercise its put option at the earliest opportunity which is 1 January 2011. The Company has estimated a value based on multiple approaches including discounted cash flows after 31 December 2010 and comparables of applicable EV/EBITDA, EV/Sales and EV/subscriber for mature operators in Western Europe, Asia, the Middle East and North Africa having revenue growth rates similar to Avea. The average of the values determined as of 31 December 2010 is then discounted back to 31 December 2008 and 2007. The fair value of the put option liability as of 31 December 2008 is estimated to be TL 586,439 (2007 – TL 788,000).

11. Minority put option (cont'd)

In order to reflect the minority put option in the consolidated financial statements, the minority interest as of 31 December 2008, amounting to TL 199,720 (2007 – TL 351,189), has been reclassified from equity to a financial liability ("minority put option liability") after appropriation of profit / loss to the minority interest 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 amounting to TL 586,439 (2007 - TL 788,000), and the difference of TL 386,719 (2007 - TL 436,811) (Note 24) is reflected in equity as "minority put option liability reserve", based on the Group's accounting policy for the acquisition of minority interest (Note 24).

12. Other receivables and liabilities

Other current assets

	31 December 2008	31 December 2007
Other current assets	**52.458**	23.380
Deposits and guarantees given	**14.730**	-
Other doubtful receivables	**21.833**	14.787
Allowance for other doubtful receivables	**(21.833)**	(14.787)
	67.188	23.380

Other current liabilities

	31 December 2008	31 December 2007
Due to personnel	**30.800**	34.790
Taxes and duties payable	**247.035**	248.213
Advances received	**273.853**	263.447
Social security premiums payable	**22.105**	27.129
Expense accruals	**121.602**	186.692
Accrual for capital expenditures	**26.993**	8.804
Accrual for contribution to be paid to the TTA	**45.564**	45.943
Accrual for the treasury share	**29.238**	28.444
Accrual for Universal Service Fund (1)	**94.133**	87.559
Deferred revenue (2)	**103.571**	81.155
Other payables	**4.895**	34.783
	999.790	1.046.959

(1) According to the law, Türk Telekom and TTNet will contribute 1% of their net revenues of each year to the Ministry of Transportation as Universal Service Fund. The contribution is payable by the end of April of the following year.

(2) Deferred revenue is composed of the invoiced but unconsumed minutes' sales value.

The Group has non-current liabilities amounting to TL 9,558 as of 31 December 2008 (2007: TL 11,398), which comprises the amounts obtained from the Ministry of Defence and North Atlantic Treaty Organization ("NATO"). The Company acts as an intermediary of 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).

13. Inventory – net

The Group has an inventory balance of TL 49,080 as of 31 December 2008 (2007- TL 37,959). Major part of this balance is composed of modems and SIM cards.

14. Deferred tax assets and liabilities - net

Deferred tax

The Company calculates deferred tax assets and liabilities based on temporary differences arising between the carrying amount of assets and liabilities as reported for CMB purposes and their tax base for statutory purposes.

As of 31 December 2007, the Group has reassessed unrecognised deferred tax assets and decided to account for deferred tax assets arising from the tax losses carried forward based on the estimated future taxable profits according to Avea's business plan. As of 31 December 2008 and 2007, the deferred tax asset recognised for Avea's tax losses amounted to TL 245,000.

The expiration years of Avea tax losses, if not utilized earlier, are as follows:

Expiration years	31 December 2008	Used in deferred tax asset calculation
2009	1.010.112	-
2010	988.334	158.000
2011	1.081.447	408.000
2012	867.643	659.000
2013	838.926	-
	4.786.462	**1.225.000**

The expiration years of TTNET tax losses, if not utilized earlier, are as follows:

Expiration years	31 December 2008	Used in deferred asset tax calculation
2012	127.038	127.038
	127.038	**127.038**

14. Deferred tax assets and liabilities - net (cont'd)

Deferred tax (cont'd)

For the calculation of deferred tax asset and liability, a rate of 20% was used as at 31 December 2008 and 2007.

Deferred tax liability	**31 December 2008**	31 December 2007
Restatement of PPE, intangible assets and investment property and other IFRS adjustments on PPE including useful life differences	**(560.421)**	(709.575)
Income accruals	**(16.010)**	(9.418)
Others	**(46)**	-
	(576.477)	(718.993)
Deferred tax asset recognized from tax losses carried forward	**270.407**	245.000
Provision for long-term employee benefits	**132.834**	192.722
Provision for unused vacation	**17.189**	20.173
Expense accruals and provisions	**4.292**	2.839
Provision for doubtful receivables	**53.992**	34.577
Universal Service Fund and other contributions	**24.241**	20.312
Others	**7.913**	2.806
Deferred tax liability, net	**510.868**	518.429
Deferred tax liability, net	**(65.609)**	(200.564)
Deferred tax asset, net	**272.894**	245.000
Deferred tax liability, net	**(338.504)**	(445.564)

Deferred tax income / (expense):	**1 January - 31 December 2008**	1 January - 31 December 2007
Restatement of PPE, intangible assets and investment property and other IFRS adjustments on PPE including useful life differences	**149.154**	167.322
Deferred tax asset recognised from tax losses carried forward	**25.407**	245.000
Provision for long-term employee benefits	**(59.888)**	(16.508)
Provision for unused vacation	**(2.984)**	(1.031)
Income accruals	**(6.592)**	1.030
Expense accruals and provisions	**1.453**	(4.934)
Provision for doubtful receivables	**19.415**	15.982
Universal Service Fund and other contributions	**3.929**	1.133
Others	**5.060**	3.140
Deferred tax income (Note 33)	**134.954**	411.134

Movement of deferred tax liability	**1 January - 31 December 2008**	1 January - 31 December 2007
Opening balance, 1 January	**(445.564)**	(612.114)
Credited to profit or loss for the year	**107.060**	166.550
Closing balance, 31 December	**(338.504)**	(445.564)

14. Deferred tax assets and liabilities – net (cont'd)

Deferred tax (cont'd)

Movement of deferred tax asset	1 January - 31 December 2008	1 January - 31 December 2007
Opening balance, 1 January	**245.000**	-
Credited to profit and loss for the year	**27.894**	245.000
Closing balance, 31 December	**272.894**	245.000

	1 January - 31 December 2008	1 January - 31 December 2007
Credited to profit and loss for the year		
- Deferred tax liability income	**107.060**	166.550
- Deferred tax asset income	**27.894**	245.000
Deferred tax income (Note 33)	**134.954**	411.134

No deferred tax asset has been calculated on the deductible temporary differences resulting from fair value adjustments arising during the acquisition of Avea, since the Management, as of the acquisition date, does not foresee that sufficient future taxable profit will be available to utilise the deferred tax asset calculated from such temporary differences.

15. Other current / non-current assets - net

Other current assets

	31 December 2008	31 December 2007
Prepaid rent expense	**49.073**	35.386
Deductible VAT and Special Communication Tax (SCT)	**6.260**	7.268
Value added tax ("VAT") receivable	**90.994**	242.977
Other prepaid expenses	**137.300**	51.837
Income accrual	**96.663**	71.465
Other current assets	**33.857**	47.908
	414.147	456.841

Prepaid rent expenses consist mainly of the prepaid rents paid for Avea's base stations. Income accrual consists mainly of the ADSL and GSM post-paid subscription income accruals.

Other non-current assets

	31 December 2008	31 December 2007
Other	**4.675**	3.181
	4.675	3.181

16. Financial investments - net

Cetel

	31 December 2008	31 December 2007
Balance at 1 January	**11,200**	-
Acquisition	**640**	11,200
Balance at 31 December	**11,840**	11,200

Due to insufficient control power at Cetel, the Group should use the equity method of consolidation, however, since the financial information needed to apply the equity method could not be obtained on time, the financial statements of Cetel have been consolidated at cost as of 31 December 2008 and 2007.

17. Derivative financial instruments

Cash flow hedges

Interest rate swap

Avea 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. Although the three structures are separate deals, the Overlay 1 is built on the First Hedge, and the Overlay 2 is built on the Overlay 1, in order the offset various legs of the previous one.

First Hedge: Avea has executed the First Hedge with different banks on July 11, 18 and 24, 2007 to cover the period commencing on September 28, 2007 and ending on September 30, 2012. Hedged item in relation to First Hedge will be applicable on 75% of each of the interest payments of the MTPF loans that are to be made on March 31 and September 30 of each year, throughout the term of the hedging instrument. As of December 31, 2008 the total outstanding notional amount is USD 1,170,477 which will be amortized till 30 September 2012.

For the First Hedge, the transacted interest rate hedge is designated as a cash-flow hedge. Avea will:

- For the September 28, 2007 – September 30, 2009 period: Pay a fixed rate under the interest rate hedge and in return will receive a floating interest rate, and
- For the September 30, 2009 –September 30, 2012 period: Pay structured capped rate and receive a floating interest rate

Overlay 1: Avea entered into a new hedging structure as Overlay 1 on September 26, 2008 which will cover the period commencing on March 31, 2008 and ending on September 30, 2015. The First Hedge will remain in place, and the Overlay 1 will be applicable on;

i) 55% of the notional amount of First Hedge (“Part 1 Notional”) in order to restructure the First Hedge and
ii) 40% of the notional amount of the floating part of the MTPF loans (“Part 2 Notional”) based on the scheduled repayments as per the MTPF agreements which was not hedged before.

As of December 31, 2008 the total outstanding notional amount is USD 640,006 for Part 1 Notional which will be amortized till September 30, 2012 and USD 153,855 for Part 2 Notional which will be amortized till September 30, 2015.

For the Overlay 1: The transacted interest rate hedge is designated as a cash-flow hedge. Avea will:

- For March 31, 2008 - September 30, 2009 period: Pay a structured capped interest rate under the interest rate hedge and in return will receive a fixed interest rate for Part 1 Notional; plus pay a structured capped rate and receive a floating rate for the Part 2 Notional,
- For September 30, 2009 - September 30, 2012 period: Pay a structured capped rate and receive another structured capped rate for Part 1 Notional; plus pay a structured capped rate and receive a floating rate for Part 2 Notional,
- For September 30, 2012 - September 30, 2015 period: Pay a structured capped rate and receive a floating rate for Part 2 Notional.

17. Derivative financial instruments (cont'd)

Cash flow hedges (cont'd)

Interest rate swap (cont'd)

Overlay 2: Avea entered into a new hedging structure as Overlay 2 on December 1, 2008 which will cover the period commencing on September 30, 2008 and ending on March 31, 2010. The First Hedge and Overlay 1 will remain in place, and the Overlay 2 will be applicable on the total notional amount of Overlay 1 between the periods September 30, 2008 and March 31, 2010. As of December 31, 2008 the total outstanding notional amount is USD 793,862 which will be amortizing till March 31, 2010.

For the Overlay 2: The transacted interest rate hedge is designated as a cash-flow hedge. Avea will:

- For September 30,2008 –March 31, 2010 period: Pay a fixed rate under the interest rate hedge and in return will receive a structured capped interest rate.

Fair value of the interest rate swap at December 31, 2008 is TL 209,515 (December 31, 2007 - TL 61,295). The interest rate swaps have been assessed to be highly effective hedge and as at December 31, 2008 an unrealized loss of TL 163,318 was included in statement of comprehensive income in respect of these contracts. For the year ending December 31, 2008 net loss for interest swap amounting to TL 15,098 (December 31, 2007 – nil) is reclassified from statement of comprehensive income and included in the income statement.

Currency option contracts

The Company entered into foreign currency option and forward transactions for which the total current outstanding notional amount is USD 30.000 and which will mature in the following three months period.

The Company does not designate option contracts for hedge accounting. Accordingly, at December 31, 2008 a cumulative net unrealized gain of TL 793 (fair value of the derivatives at inception date) is included in income statement.

18. Positive / negative goodwill

The movement of goodwill is as follows:

	1 January - 31 December 2008	1 January - 31 December 2007
Opening balance, 1 January	**29.695**	29.695
Acquisition of Argela	**7.943**	7.943
Acquisition of Innova	**11.097**	11.097
Acquisition of Sebit (*)	**-**	-
Carrying amount at 31 December	**48.735**	48.735

(*) Negative goodwill amounting to TL 3,967 (2007 – TL 1,956) from Sebit acquisition has been credited to the consolidated statement of income

18. Positive / negative goodwill

Avea acquisition

The acquisition of Avea shares has been effected through three steps in different years (40% in February 2004 through the merger of Aycell with Aria, 0.56% through an equity increase in May 2005 and finally 40.56% through the acquisition of TIM shares on 15 September 2006 (Notes 1 and 12). Therefore, during the accounting of the latest acquisition of 40.56% shares on 15 September 2006, the first two acquisitions comprising a total shareholding of 40.56%, which have been accounted for using the equity method in the financial statements prior to 15 September 2006 have been re-measured to their fair values based on the fair value financial statements of Avea prepared as of 15 September 2006 for the purpose of the purchase price allocation. The result of the re-measurement amounting to TL 294,065 has been reflected as "Fair value difference arising from acquisition of subsidiary" in equity .

The goodwill impairment test has been performed as of 31 December 2007, based on the value in use study implemented. Avea, at the corporate level, has been accepted as one cash generating unit for the purposes of determining the value in use for the impairment testing of the TL 29,695 goodwill arising from the acquisition of Avea shares. The enterprise value used as a base for the impairment test has been calculated using cash flow projections from the business plan of Avea approved by the Board of Directors in November 2008 covering a ten-year plan. Future cash flows are estimated in TL and USD in which they will be generated and then discounted to present value using the rates appropriate for these currencies. The rates used for the discount of TL denominated cash flows were 18.3% while a discount rate of 14.3% was used for the USD denominated cash flows. Cash flow beyond the ten years are extrapolated using a 3.4% growth rate for TL and USD denominated cash flow projections that is driven by the estimated inflation in the business plan and estimated population growth of the country. The valuation is tested with a sensitivity of weighted average capital cost (WACC) by -/+ 1% for both TL and USD denominated cash flow projections and growth rate of -/+ 1% for TL denominated cash flow projections. As a result of the impairment testing, it has been noted that there is no impairment on goodwill arising on the Avea acquisition. The value in use projections are based on a discounted cash flow (DCF) study implemented until 2026. No terminal value has been assigned since the DCF study has been implemented until the end of concession period.

Innova Acquisition

On 1 August 2007, the Company acquired 99.96% of the issued share capital of Innova for a consideration of USD 18,500. This transaction has been accounted for using the purchase method of accounting. The net assets acquired in the transaction and the goodwill arising, are as follows:

Net assets acquired	Carrying amount at the acquisition date (1 August 2007)	Fair value adjustments	Fair value
Cash and cash equivalents	13	-	13
Trade receivables, net	4.897	-	4.897
Other current assets	2.889	-	2.889
Property, plant and equipment	750	21	771
Intangible assets	210	6.098	6.308
Other non-current assets	75	-	75
Short-term borrowings	(941)	-	(941)
Trade payables	(660)	-	(660)
Other payables, expense accruals and provisions	(869)	-	(869)
	6.364	6.119	12.483
Acquired net assets (99,96%)			12.483
Goodwill as at 31 December 2008			11.097
Total consideration (*)			23.580
Net cash outflow arising on acquisition:			
Cash consideration paid			(20.604)
Cash and cash equivalents acquired			13
			(20.591)

(*) As of 31 December 2007, TL 20,604 of the total consideration is paid in cash and TL 2,976 has been reflected under other payables and accrued liabilities.

18. Positive / negative goodwill (cont'd)

Innova Acquisition (cont'd)

The Company used independent professional assessments for the valuation of PPE and intangible assets. The fair values of PPE and intangible assets have been assessed by Analysys Consulting Limited and Grant Thornton GmbH.

Argela acquisition

On 3 August 2007, the Company acquired 99.96% of the issued share capital of Argela for a consideration of USD 14,500. This transaction has been accounted for using the purchase method of accounting. The net assets acquired in the transaction and the goodwill arising, are as follows:

Net assets acquired	Carrying amount at the acquisition date (3 August 2007)	Fair value adjustments	Fair value
Cash and cash equivalents	560	-	560
Trade receivables, net	1.788	-	1.788
Other current assets	168	-	168
Property, plant and equipment	547	87	634
Intangible assets	1.563	8.957	10.520
Short-term borrowings	(2.575)	-	(2.575)
Trade payables	(38)	-	(38)
Other payables, expense accruals and provisions	(457)	-	(457)
	1.556	9.044	10.600
Acquired net assets (99,96%)			10.600
Goodwill as at 31 December 2008			7.943
Total consideration (*)			18.543
Net cash outflow arising on acquisition:			
Cash consideration paid			(16.695)
Cash and cash equivalents acquired			560
			(16.135)

(*) As of 31 December 2007, TL 16,695 of the total consideration is paid in cash and TL 1,848 has been reflected under other payables and accrued liabilities.

The Company used independent professional assessments for the valuation of PPE and intangible assets. The fair values of PPE and intangible assets have been assessed by Analysys Consulting Limited and Grant Thornton GmbH.

18. Positive / negative goodwill (cont'd)

The goodwill impairment tests of Innova and Argela as of 31 December 2008 have been performed based on the enterprise value. Since the capital expenditures and income and expenses in the business plan are denominated in US Dollars, the value of the projected cash flows consists of the discounted cash flows denominated in US Dollars until 2013. The valuation is tested with a WACC rate of 19% and sensitivity of -/+ 1%. For the WACC calculation, technology companies have been taken as an indicator for the calculation of the beta coefficient and the 5 year weighted average index of MSCI (Morgan Stanley Capital International) has been used.

Sebit Acquisition

On 17 December 2007, the Company acquired 99.96% of the issued share capital of Sebit for a consideration of USD 7,000, all paid in cash. This transaction has been provisionally accounted for using the purchase method of accounting. The net assets acquired in the transaction and the goodwill arising, are as follows:

Net assets acquired	Carrying amount at the acquisition date (17 December 2007)	Fair value adjustment	Provisional fair value
Cash and cash equivalents	1,029	-	1,029
Trade receivables	1,777	-	1,777
Other current assets	1,060	-	1,060
Property, plant and equipment	1,570	-	1,570
Intangible assets	7,065	2,011	9,076
Trade payables	(2,201)	-	(2,201)
Other payables, expense accruals and provisions	(138)	-	(138)
	10,162	2,011	12,173
Acquired net assets (99.96%)			12,173
Negative goodwill reflected in consolidated statement of income			(3,967)
Total consideration			8,206
Net cash outflow arising on acquisition			
Cash consideration paid			(8,206)
Cash and cash equivalents acquired			1,029
			(7,177)

The acquisition of Sebit on 17 December 2007 has been accounted provisionally at 31 December 2007 subject to change in accordance with IFRS 3. The acquisition accounting has been finalized as of 31 December 2008 and the assets, liabilities and contingent liabilities determined based on IFRS 3, have been recorded based on their fair values at the date of acquisition. The negative goodwill amount of TL 3,967 (2007 – TL 1,956) resulting from the acquisition has been reflected in the consolidated statement of income.

19. Assets held for sale

	1 January 2008	Additions	Transfers	Disposal	31 December 2008
Assets held for sale	**7,601**	**-**	**-**	**(241)**	**7,360**
	1 January 2007	Additions	Transfers	Disposal	31 December 2007
Assets held for sale	-	-	10,848	(3,247)	7,601

The period to complete sale of the assets extended beyond one year due to circumstances which are not under the control of Avea. As of December 31, 2008, Avea has an active sales program and the criteria for classification as held for sale are still met.

20. Investment property

The movement of investment property and the related accumulated depreciation for the years ended 31 December 2008 and 2007 is given below:

	1 January - 31 December 2008	1 January - 31 December 2007
Cost		
Opening balance, 1 January	**384.981**	384.981
Additions	**-**	-
Closing balance, 31 December	**384.981**	384.981
Accumulated depreciation and impairment		
Opening 1 January	**57.690**	41.053
Depreciation charge for the year	**16.637**	16.637
Closing balance, 31 December	**74.327**	57.690
Carrying amount at 31 December	**310.654**	327.291

Investment property represents building space owned by the Group but occupied by the PTT under a cross-occupation agreement between the parties (Notes 10).

The fair value of investment property was determined by certified independent appraisers to be TL 582,190 at 31 December 2005. The Group has compared fair values and carrying values of the investment properties on an individual asset basis and identified impairment in some of the investment properties. As a result, an impairment of TL 7,729 has been reflected in the financial statements prior to 1 January 2006. The management has analyzed if the fair values of the investment properties need to be impaired or not, and concluded that there is no need for any impairment as of 31 December 2008.

21. Property, plant and equipment (PPE)

The movement of PPE and the related accumulated depreciation for the year ended 31 December 2008 and 2007 is given below:

	Land and buildings	Network and other equipment	Vehicles	Furniture and fixtures	Other fixed assets	Construction in progress and advances given	Total
Cost							
Opening balance,1 January 2008	**1.430.769**	**32.609.904**	**142.957**	**141.758**	**170.622**	**106.390**	**34.602.400**
Transfers	**85.600**	**919.805**	**7.446**	**39.134**	**8.989**	**(1.092.452)**	**(31.478)**
Additions	**4.071**	**308.280**	**29**	**3.960**	**8.774**	**1.160.322**	**1.485.436**
Disposals	**(81)**	**(204.082)**	**(2.284)**	**(2.448)**	**(4.496)**	**-**	**(213.391)**
Closing balance, 31 December 2008	**1.520.359**	**33.633.907**	**148.148**	**182.404**	**183.889**	**174.260**	**35.842.967**
Accumulated depreciation							
Opening balance,1 January 2008	**386.203**	**27.641.850**	**130.934**	**113.558**	**111.216**	**-**	**28.383.761**
Disposals	**(18)**	**(169.113)**	**(2.271)**	**(2.294)**	**(4.289)**	**-**	**(177.985)**
Depreciation charge for the year	**58.078**	**1.267.221**	**2.581**	**10.018**	**22.409**	**-**	**1.360.307**
Transfers	**-**	**-**	**-**	**-**	**(241)**	**-**	**(241)**
Closing balance, 31 December 2008	**444.263**	**28.739.958**	**131.244**	**121.282**	**129.095**	**-**	**29.565.842**
Carrying amount at 31 December 2008	**1.076.096**	**4.893.949**	**16.904**	**61.122**	**54.794**	**174.260**	**6.277.125**

At 31 December 2008, the Group made a value in use work in order to test if there is any impairment on the tangible and intangible assets.The cash flows projections are denominated in TL and the "Weighted Average Capital Cost" (WACC) rate used is 16.2%. For periods beyond ten years, a 0.1% growth rate has been projected, considering the estimated inflation mentioned in the business plan and estimated population growth of the country. Based on the impairment test, the Company has concluded that there is no impairment on the tangible and intangible assets. For the valuation work, the Company got support from Analysys Consulting Limited and Grant Thornton GmbH.

21. Property, plant and equipment (PPE) (cont'd)

	Land and buildings	Network and other equipment	Vehicles	Furniture and fixtures	Other fixed assets	Construction in progress and advances given	Total
Cost							
Opening balance,1 January 2007	1.390.897	31.797.044	132.143	117.667	140.787	174.689	33.753.227
Transfers (*)	27.204	378.157	17	3.044	-	(419.270)	(10.848)
Additions	15.170	509.005	11.717	23.829	26.860	350.971	937.552
Disposals	(2.502)	(74.302)	(920)	(2.782)	-	-	(80.506)
Acquisition of Argela (Note 18)	-	-	-	-	634	-	634
Acquisition of Innova (Note 18)	-	-	-	-	771	-	771
Acquisition of SEBIT (Note 18)	-	-	-	-	1.570	-	1.570
Closing balance, 31 December 2007 (Revised)	1.430.769	32.609.904	142.957	141.758	170.622	106.390	34.602.400
Accumulated depreciation							
Opening balance,1 January 2007	333.027	26.390.085	130.602	110.421	89.088	-	27.053.223
Disposals	(619)	(62.779)	(257)	(977)	-	-	(64.632)
Depreciation charge for the year	53.795	1.314.544	589	4.114	22.128	-	1.395.170
Closing balance, 31 December 2007 (Revised)	386.203	27.641.850	130.934	113.558	111.216	-	28.383.761
Carrying amount at 31 December 2007	1.044.566	4.968.054	12.023	28.200	59.406	106.390	6.218.639

(*) There is no network equipment that has been transferred to assets held for sale in 2008 (2007- TL 10,848) (Note 19).

During 2008, there were no leased asset additions (2007- TL 4,121).

22. Intangible assets - net

	License	Customer relationships	Brand valuation	Other intangible assets	IFRIC 12	Total
Cost						
Opening balance,1 January 2008	**1.000.945**	**879.372**	**302.379**	**186.221**	**616.552**	**2.985.469**
Transfers	**-**	**-**	**-**	**31.479**	**-**	**31.479**
Disposals	**-**	**-**	**-**	**(4.158)**	**-**	**(4.158)**
Additions (*)	**-**	**-**	**-**	**170.357**	**100.382**	**270.739**
Closing balance, 31 December 2008	**1.000.945**	**879.372**	**302.379**	**383.899**	**716.934**	**3.283.529**
Accumulated amortisation						
Opening balance,1 January 2008	**66.728**	**111.626**	**20.159**	**63.569**	**32.450**	**294.532**
Disposals	**-**	**-**	**-**	**(441)**	**-**	**(441)**
Transfers	**-**	**-**	**-**	**241**	**-**	**241**
Amortisation charge for the year	**51.661**	**87.983**	**15.607**	**65.978**	**33.594**	**254.823**
Closing balance, 31 December 2008	**118.389**	**199.609**	**35.766**	**129.347**	**66.044**	**549.155**
Carrying amount at 31 December 2008	**882.556**	**679.763**	**266.613**	**254.552**	**650.890**	**2.734.374**

(*) TL 100,382 of intangible assets consist of investments subject to IFRS 12 which do not cause a cash outflow

	License	Customer relationships	Brand valuation	Other intangible assets	IFRIC 12	Total
Cost						
Opening balance,1 January 2007	1.000.945	875.000	302.379	106.428	-	2.284.752
Additions	-	-	-	58.261	-	58.261
Acquisition of Argela (Note 18)	-	1.244	-	9.276	-	10.520
Acquisition of Innova (Note 18)	-	3.128	-	3.180	-	6.308
Acquisition of Sebit (Note 18)	-	-	-	9.076	-	9.076
Closing balance, 31 December 2007 (revised)	1.000.945	879.372	302.379	186.221	616.552	2.985.469
Accumulated amortisation						
Opening balance,1 January 2007	15.068	25.206	4.552	23.787	-	68.613
Amortisation charge for the year	51.660	86.420	15.607	39.782	32,450	193.469
Closing balance, 31 December 2007 (revised)	66.728	111.626	20.159	63.569	32.450	294.532
Carrying amount at 31 December 2007	934.217	767.746	282.220	122.652	584.102	2.690.937

22. Intangible assets – net (cont'd)

Remaining amortisation periods of significant intangible assets are as follows:

Avea License	18.4 years
Avea Customer relationships	9.1 years
Avea Brand name	18.4 years

There is no restriction or pledge on the intangible assets except the Avea brand as of 31 December 2008.

23. Provisions

a) Short term provisions

The breakdown of provisions as of 31 December 2008 and 2007 is as follows:

	31 December 2008	31 December 2007
Litigation	**124.301**	102.832
Unused vacation	**92.034**	105.643
Others	**15.740**	15.402
	232.075	223.877

The movement of provisions for the year ended 31 December 2008 and 2007 is as follows:

	Litigation	**Unused vacation**	**Other**
Provisions at 1 January 2008	**102,832**	**105,643**	**15,402**
Settled provisions	**(24.783)**	**-**	**-**
Provisions for the period	**46.252**	**1.756**	**338**
Reversals, net of additional provision	**-**	**(15.365)**	**-**
Provisions at 31 December 2008	**124.301**	**92.034**	**15.740**

Settled provisions of Avea consist of Special Communication Taxes ("the SCT") provision paid amounting to TL 15,302, Turkcell İletişim Hizmetleri A.Ş. ("Turkcell") dispute provision netted from Turkcell receivables in 2008 amounting to TL 54,566.

	Litigation	**Unused vacation**	**Other**
Provisions at 1 January 2007	**191,284**	**109,778**	**15,402**
Settled provisions of Avea	(69,868)	-	-
Reversals, net of additional provision	(18,584)	(4,135)	-
Provisions at 31 December 2007	102,832	105,643	15,402

23. Provisions (cont'd)

b) Long term provisions

	31 December 2008	31 December 2007
IFRIC 12 provision	5.126	3.388
	5.126	3.388

i) General Description of Long-term Employee Benefits and Amendments

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

Before privatisation, the Company had four different types of employment status (employees in scope of collective labour union contract, employees out of scope of collective labour union contract, contracted employees and permanent employees). These employees were within the scope of two different social security systems. The civil servants were within the scope of the Turkish Republic Retirement Fund ("TRRF") and workers were within the scope of Social Security Institution ("SSI"). The Group was liable to pay retirement premiums to the civil servants and retirement benefit to workers upon meeting the conditions mentioned in the first paragraph above. The parameters and scales used for the calculation of retirement premium and retirement benefit were different and were regulated by the related laws.

In 2004, a law was enacted regulating the status of the Company's employees after possible privatisation. This law stated that subsequent to privatisation, Labour Law became effective for all employees of the Company. According to this law, the retirement benefits of all the civil servants who were previously (before 2004) eligible for retirement premiums will be calculated in accordance with labour law considering all of their service periods. Hence, since the privatization process has been completed as of 31 December 2008, instead of reflecting the retirement obligations of the white and blue collar personnel seperately, the Company calculated the total retirement obligation for all personnel. The retirement pay liability as of 31 December 2008 is subject to a ceiling of TL 2,173 (2007 – TL 2,030) per monthly salary for eacl service year.

The number of personnel as of 31 December 2008 and 2007 are 29.769 and 37.035, respectively.

In addition to retirement benefits, the Company was liable for certain other long-term employment benefits: death payment position, job and representation indemnity, social aid increase and jubilee awards. Upon privatisation, the death payment and social aid increase benefits have been ceased.

The above described amendment to the benefits of the civil servants with respect to the defined benefit plan resulted in past service cost, while the ceasing of certain other long-term employment benefits has resulted in plan curtailments. The effect of the plan curtailments has been reflected fully in the consolidated statement of income as of 31 December 2005, the year of privatization. Past service cost amounting to TL 49,994 is being amortised over seven years, the period over which benefits become vested, which is the expected average future service life of the employees, starting from 1 January 2006.

ii) Transfer of Employees to Other State Enterprises after Privatisation

In accordance with the related laws the civil servants and workers were granted the right to ask for a transfer to other state companies. As a result of the Company's privatisation on 14 November 2005, some of the employees have used this right to ask for employment from other state enterprises or governmental organisations within 180 days starting from the privatisation date. Additionally, in February 2006, another law was enacted which extended this duration from 180 days to five years.

Upon these transfers, the long-term employee benefit liabilities of the employees are also transferred to other state enterprises with no cost to the Group. Therefore, the long-term employee benefits for these employees were not taken into account in determination of the Group's obligation as at 31 December 2008 and 2007. The decrease in liability has been presented in the reconciliation of defined benefit obligations separately as a settlement gain.

23. Provisions (cont'd)

b) Long term provisions

iii) Reconciliation of opening and closing balances of defined benefit obligation

	1 January - 31 December 2008	1 January - 31 December 2007
Defined benefit obligation at 1 January	**1.007.149**	1.096.766
Current service cost	**35.979**	47.017
Interest cost	**99.457**	69.076
Actuarial gain	**(34.139)**	(17.960)
Benefits paid by the Group	**(360.715)**	(150.133)
Transfers - net (employees transferring to state enterprises)	**(47.255)**	(37.617)
Defined benefit obligation 31 December	**700.476**	1.007.149

iv) Analysis of the present value of the defined benefit obligation to the liabilities recognised in the balance sheet

	31 December 2008	31 December 2007
Present value of defined benefit obligations	**700.476**	1.007.149
Unrecognised past service cost	**(33.328)**	(41.660)
Net liability recognised in the balance sheet at end of year	**667.148**	965.489

v) Total expense recognised in the consolidated statement of income

	1 January - 31 December 2008	1 January - 31 December 2007
Current service cost	**35.979**	47.017
Interest cost	**99.457**	69.076
Past service cost	**8.333**	8.333
Total net cost recognised in the consolidated statement of income	**143.769**	124.426
Actuarial gain	**(34.139)**	(17.960)
Settlement gain recognised (Note 31)	**(47.255)**	(37.617)
Total net income recognised in the consolidated statement of income	**(81.394)**	(55.577)

23. Provisions (cont’d)

b) Long term provisions

vi) Principal actuarial assumptions used

	31 December 2008	31 December 2007
Discount rate	**%12**	%11,0
Expected rate of salary increases	**%5,4**	%5,0

The average voluntary withdrawal rate for the next year for the remaining employees is estimated to be 3% (2007 - 2.5%).

vii) Employee assistance funds

The employees of the Company have established two employee assistance funds which are the Health Aid Fund and the Employee Savings and Aid Fund (“Employee Funds”). The Employee Funds are managed by a group of the Company employees. The Company management also assists in the management of Employee Funds. Both funds are financed by employee contributions withheld from payroll. In addition, the Company makes an annual contribution to Health Aid Fund equal to 0.1% of total annual budgeted employee salaries. The Company does not bear any risk with respect to the liabilities of the Employee Funds and does not benefit from the investment income of the Employee Funds. Total amounts contributed to these funds by the Company aggregated to TL 932 (2007: TL 971).

24. Share capital and reserves and retained earnings / (accumulated deficit)

As of 31 December 2008 and 2007, the shareholders of the Company with their shareholding percentage are as follows:

	31 December 2008		31 December 2007	
	Share (%)	**Nominal Value of Shares (TL)**	Share (%)	Nominal Value of Shares (TL)
The Treasury	**30%**	**1,050,000**	45%	1,575,000
Ojer Telekomünikasyon A.Ş. (OTAŞ)	**55%**	**1,925,000**	55%	1,925,000
Public share	**15%**	**525.000**	-	
		3,500,000		3,500,000
Inflation adjustment to share capital value		**(239,752)**		(239,752)
		3,260,248		3,260,248

24. Share capital and reserves and retained earnings / (accumulated deficit) (cont'd)

The Company's share capital is fully paid and consists of 3,500,000,000,000 shares of 0.1 kuruş par value for each period presented. OTAS is the holder of Group A shares and the treasury is the holder of group B and C shares. Group C share consists only of a single preferred stock (Golden Share).

The Treasury is the holder of the preferred stock (Golden Share). This share is non-transferable. It provides the government a right to have a Board seat and the approval authority for the purpose of protecting the national interest in issues of national security and the economy. The holder of the Golden Share has the right to approve any proposed amendments to the Company Articles, the transfer of any registered shares in the Company which would result in a change in the management control of the Company and the registration of any transfer of registered shares in the Company's shareholders' ledger. The holder of the preferred stock has one member, representing the preferred stock, among the Board of Directors.

As of 31 December 2008, based on the share pledge agreement signed between OTAŞ and the Treasury and Citicorp Trustee Company Limited (Citicorp Trustee), Citicorp Trustee has a pledge over 36% (corresponding to 693,000,000,000 class A shares) and the Treasury has a pledge over 64% (corresponding to 1,925,000,000,000 class A shares) of the shares owned by OTAŞ.

Shares were pledged to Citicorp Trustee for the term loan agreement between OTAŞ and Citicorp Trustee.

The OTAŞ Term Loan agreement provides certain limitations with respect to dilution, sale and transfer of shares in OTAŞ, the Company and Avea; prohibition on incurrence of other financial indebtedness by OTAŞ and acquisitions or investments in other business or shares.

Based on the Shareholders Agreement signed between OTAŞ and the Treasury on 14 November 2005, the Board of the Directors of the Company shall consist of up to ten Directors nominated by the Shareholders as follows:

OTAŞ shall be entitled to nominate six persons for election as Directors and, provided that the Treasury holds 30% or more of the Shares, the Treasury shall be entitled to nominate three persons for election as Directors. If the Treasury holds 15% or more of the Shares (but less than 30%), the Treasury shall be entitled to nominate two persons for election as Directors. While the Treasury holds the Golden Share, the Treasury shall be entitled to nominate an additional one person for election as Director for the Golden Share. The Chairman of the Board of Directors shall be nominated by the OTAŞ Directors from among the Directors and be elected and removed by the simple majority vote of those present at the meeting of the Board.

Board resolutions shall be passed by a simple majority of the votes of the Directors unless the resolution requires a higher majority vote.

24. Share capital and reserves and retained earnings / (accumulated deficit) (cont'd)

The Board of Directors shall propose the distribution of the maximum of the Company's profits lawfully available for distribution in each financial year subject to the Board of Directors making reasonable provisions and transfers to reserves. Distribution of profits may not be made if the distribution would result in a breach of any covenant or undertaking given by OTAŞ or its associates to any lender or would be likely to do so within the following twelve months; or if the Board of Directors resolves that the distribution is materially prejudicial to the interests of OTAŞ or its associates with regard to implementation of the investment programme approved by the Board in the Business Plan or the Budget; or the trading prospects of OTAŞ or its associates and the need to maintain the sound financial standing of the Company, OTAŞ and its associates.

In accordance with the Turkish Commercial Code, companies are required to assign legal reserves before profit appropriations. The legal reserve consists of first and second legal reserves, allocated in accordance with the Turkish Commercial Code. The first legal reserve is allocated out of historical statutory profits at the rate of 5% per annum until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is allocated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

Dividends

In 2008, a dividend of kuruş 0.0789 per share (total dividend of TL 2,743,605) was paid to the shareholders. (2007 – kuruş 0.0739 per share with a total of TL 2,587,386) (1TL=100 kuruş).

Minority interest

The minority interest represents 18.88% shareholding of İş Bank in Avea as of 31 December 2008. As of 31 December 2008, minority interests are reflected with their fair values and are classified as other non-current liabilities based on the Group's accounting policy applied during the acquisition of the minority shares (Note 3). The movement of minority interest is as follows:

As of 15 September 2006	330.007
Share of losses occurred between 15 September 2006 – 31 December 2006	(10.680)
Classification to other non-current liabilities	(319.327)
As of 31 December 2006	-
Reclassification to minority interests	319.327
Share of profit generated between 1 January 2007 – 31 December 2007	44.792
Minority interest share in unrealized loss on derivative financial instruments reflected in equity	(12.930)
Reclassification to other non-current liabilities	(351.189)
As of 31 December 2007	-
Reclassification to minority interest	**351.189**
Share of profit generated between 1 January 2008 – 31 December 2008	**(124.842)**
Minority interest share in unrealized loss on derivative financial instruments reflected in equity	**(26.627)**
Reclassification to other non-current liabilities	**(199.720)**
As of 31 December 2008	-

25. Earnings per share

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

	1 January – 31 December 2008	1 January – 31 December 2007
Weighted average number of ordinary shares outstanding during the year (in millions)	**3.500.000**	3.500.000 (*)
Net profit for the year attributable to equity holders of Türk Telekom	**1.752.212**	2.546.864
Basic and diluted earnings per share	**0.050**	0.073

(*) The Group's previous share amount of the Company of 3,500,000,000,000 has been changed to 350,000,000, and the share based nominal value of 0,1 Kuruş has been changed to 1 Kuruş in accordance with the amendment in the Articles of Association per General Assembly held on 30 April 2008.

26. Commitments and contingencies

Commitments on capital expenditures

The Group's commitments in terms of capital expenditures are as follows:

	31 December 2008	31 December 2007
Commitments for the acquisition of property, plant and equipment due to investment incentive certificates	**4.021**	23

Guarantees provided

Guaantees received and given by the Group are summarized below:

		31 December 2008		31 December 2007	
		Original amount	**TL**	Original amount	TL
Guarantees received	USD	**149.479**	**226.057**	77.473	90.233
	TL	**484.991**	**484.991**	40.685	40.685
	EUR	**94.073**	**201.392**	22.540	38.547
			912.440		169.465
Guarantees given (*)	USD	**153.919**	**232.772**	151.713	176.700
	TL	**58.809**	**58.809**	3.110	3.110
	EUR	**6.589**	**14.107**	131	224
			305.688		180.034

(*) USD 151,500 of the amount (2007 - USD 151,500) is related with a performance bond provided to the TTA with respect to the Avea Concession Agreement.

The Group has also provided a guarantee letter in favour of Avea to certain banks with an amount of USD 500,000. Türk Telekom has a commitment to provide further guarantees in favour of Avea amounting to USD 300,000.

Other commitments

The Group has committed sponsorship payments for 2008 amounting to TL 15,764.

In accordance with the sponsorship agreement between TTNET and the Turkish Football Federation, TT has committed to pay to the federation,

- Total net of USD 300 + VAT in two equal installments dated 15 January 2010 and 12 March 2010 in case the Turkish national team qualifies for the FIFA 2010 World Cup
- Total net of USD 300 + VAT in two equal installments dated 16 January 2012 and 12 March 2012 in case the Turkish national team qualifies for the FIFA 2012 European Cup

26. Commitments and contingencies (cont'd)

Türk Telekom concession agreement

The Concession Agreement was entered into between the Company and the Turkish Telecommunication Authority ("the TTA") on 14 November 2005 following the privatisation of the Company and the resultant reduction in the public shareholding to less than 50%. The Concession Agreement covers:

- the provision of all kinds of telecommunications services;
- the establishment of necessary telecommunications facilities and the use of such facilities by other licensed operators;
- the marketing and supply of telecommunications services.

The Concession Agreement does not cover GSM 1800 networks or next generation telecommunications services which require the establishment of an entirely new network. The Concession Agreement also does not cover cable television, satellite services, maritime communications and safety communication services, or services which involve the allocation of scarce resources.

26. Commitments and contingencies (cont'd)

Türk Telekom concession agreement (cont'd)

The term of the Concession Agreement is 25 years from 28 February 2001 (i.e., until 27 February 2026), being the date upon which the original authorisation agreement was entered into between the Company and the Ministry of Transportation. However, the Company may apply to the TTA for renewal of the Concession Agreement, with any such renewal to be granted at the discretion of the TTA. The Concession Agreement places an obligation on the Company, in the event of expiry, non-renewal or termination of the Concession Agreement, to transfer all equipment affecting the operation of the telecommunications network, together with all immovable properties where such equipment is installed, to the TTA, at no cost, and in good condition.

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

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

In relation to fees, the Concession Agreement requires the Company to meet all payments accrued as a result of applicable legislation or agreements with the Government of the Republic of Turkey. This specifically includes license and utilisation fees for the use of radio frequencies. In addition, the Company is required to pay the TTA 0.35% of its annual revenue, as a contribution towards the TTA's expenses.

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

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

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

Avea concession agreement

A concession agreement was entered into between Avea and the TTA ("the Avea Concession Agreement") on 12 January 2005 which replaced and superseded the previous GSM 1800 license agreements in place in relation to Aycell and Aria.

The Avea concession agreement covers the establishment, development and operation of a GSM 1800 network by Avea in the Republic of Turkey, but the appendix to the Avea Concession Agreement also grants Avea six channels in the 900 MHz band. The Avea Concession Agreement also authorises the establishment of direct connections with telecommunications operators abroad.

26. Commitments and contingencies (cont'd)

Avea concession agreement (cont'd)

Pursuant to the Avea Concession Agreement, Avea was granted to use six channels in the 1800 MHz band and channels in the 900 MHz band. Avea is also authorised to use frequencies in the 1800 MHz band and the 900 MHz band previously allocated to Aycell for a transitional period. The right to use Aycell's 1800 MHz frequencies expired in February 2006 and the right to use its 900 MHz frequencies is due to expire in August 2007, at which time the frequencies must be returned to the TTA. The term of the Avea Concession Agreement is 25 years from 11 January 2001 (i.e., until 10 January 2026), being the date upon which the original authorisation agreement was entered into between Avea and the Ministry of Transportation (which was subsequently renewed as the license agreement between Aycell and the TTA on February 2002).

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

The TTA may terminate the Avea Concession Agreement in the event of: (i) a bankruptcy-related event; (ii) an unremedied breach; (iii) Avea operating outside of its allocated frequencies; or (iv) for non-payment of license fees. However, in the event of termination for a reason other than non-payment of license fees, Avea must be given a grace period of at least 90 days, within which to submit a corrective programme. It is only in the event that the TTA does not accept the programme that it may terminate the Avea Concession Agreement. Upon termination, Avea is under an obligation to transfer the entire equipment that comprises the GSM 1800 network to the TTA at no cost.

Avea is subject to coverage obligations under the Avea Concession Agreement, and is required to have coverage for 90% of the Turkish population within five years after 11 January 2001. In addition, residential units with a population less than 10,000 have to be covered with Avea's own network rather than national roaming arrangements. Moreover, Avea is also committed to renew the network in line with technological improvements and international agreements. Avea also has to conform with certain quality standards. In areas covered, the licensed internal rate of network for blocked calls and failed calls cannot exceed 5% and 2%, respectively.

The Avea Concession Agreement provides that the license fees were paid at the time of issuance of the original GSM 1800 authorisation agreement. Avea is also required under the terms of the Avea Concession Agreement, to pay a share to the Treasury of 15% of its monthly gross income (Note 24), and a contribution to the TTA's expenses comprising 0.35% of the net amount remaining following the deduction of all taxes, duties, fees, the Treasury contribution and VAT from Avea's monthly gross income. Finally, the Avea Concession Agreement also envisages frequency license and usage charges to be paid by Avea, although the amount of these charges is not specified. The Avea Concession Agreement also requires Avea to provide a performance bond in the amount of USD 151,500 in respect of its obligations under the Avea Concession Agreement. This represents 6% of the license fee.

Other provisions of the Avea Concession Agreement provide for the allocation of area codes for the Avea network, and number portability to be provided in accordance with regulations issued by the TTA, (although such regulations have not yet been issued). Avea is also under an obligation to submit financial audit reports and tables and an investment plan.

Finally, the Avea Concession Agreement provides that the license may be transferred with the approval of the TTA and within the terms of the Authorisation Ordinance. However, no transfer may be made to an entity which already has a GSM 900 or GSM 1800 license in Turkey, or to related parties of such an entity. The approval of the Competition Authority is also required for any change of control, being a transfer of more than 50% of the shares.

26. Commitments and contingencies (cont'd)

Legal Proceedings of Türk Telekom

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

Disputes with Turkcell

Interconnection Tariff Disputes:

The Company and Turkcell have a dispute over international interconnection rates charged by the Company starting from August 2005. The Company provided a provision for this dispute amounting to TL 34,449 as of 31 December 2008 (2007: TL 51,330) in the consolidated financial statements as a litigation reserve.

Traffic Calculation Disputes:

As of 31 December 2008, total provision provided in the consolidated financial statements with respect to traffic volume disputes with Turkcell amounts to TL 8,389 (2007 - TL 8,389).

Leased Line:

The Company and Turkcell have a dispute over the fees charged by the Company on inside building lines in 2005 and 2006. Turkcell has initiated two legal filings with respect to this dispute against the Company. The total value of these filings amounts to TL 4,204 (2007 – TL 4,204). The Company has provided a provision of TL 1,099 for these disputes in the consolidated financial statements.

Disputes with Telsim Mobil Telekomünikasyon Hizmetleri A.Ş. (Telsim)

Traffic Calculation Disputes:

For the period between October 2003 – February 2005, traffic volumes were calculated differently by the Company and Telsim. The provision provided in the consolidated financial statements with respect to these disputes amounts to TL 7,013 (2007: TL 7,013).

Disputes with the Telecommunication Authority

The Company has opened various law suits against the TTA. These lawsuits are related with the industrial and tariff legislations and legislations with respect to the other operators in the market. The industrial disputes generally stem from the objections with respect to certain clauses of interconnection legislation, legislation with respect to the authorisation for telecommunication service and infrastructure, numbering legislation and other objections.

Legal Proceedings of Avea

Issues between Avea and Turkcell

In February 2006, Avea has prosecuted Turkcell with the claim that, Turkcell had not acted in accordance with the clause of the interconnection agreement, which states that both parties would not charge any SMS interconnection termination fees at any price. The total value of this filing amounts to TL 12,275.

26. Commitments and contingencies (cont'd)

Legal Proceedings of Avea (cont'd)

Objection to decision of the TA about "Avea is defined among the Significant Powers in the GSM Call Termination Market of Turkey"

In accordance with the decision of the TA in December 2005, effective from December 31, 2005, Avea was determined to be one of the "Significant Market Powers" ("SMP") in the GSM Phone Call Termination Market in Turkey. In accordance with the defining of Avea as SMP, the implementation of the new regulations and ordinance of the TA may affect Avea's advantageous position in the GSM market directly. Avea has initiated a lawsuit with a motion for stay with an adverse claim that Avea is not of an equal status in the market compared to other GSM operators. The court rejected the suspension of execution demand. Avea appealed to a supreme judiciary level which is Regional Administrative Court. The Regional Administrative Court rejected this application application in March 2007, the court rejected the case and Avea appealed the judgment in May 2007. As of the date of the approval of these financial statements, the file is still under investigation of the Council of State and no conclusion has been reached. If the case results against the favour of Avea, there will be no effect on the financial statements of the Group retrospectively.

Objection to decision of the TA about "No Allowance to have incumbrances on assets of Avea"

In case of termination or dissolution of the GSM License Agreement, Avea, as it has been defined in the license agreement, must alienate all of the entire technical system and its properties and equipments to the TA or any other party which the TA determines, free of charge. In accordance with the decision of the TA in November 2005, there must be no collateral, pledge or sort of incumbrances on the assets of Avea that may hinder the probable transfer of the technical system and its property and equipments. In accordance with the stated decision of the TA, Avea did not give any further pledge on its fixed assets starting from the decision date. Avea has objected to the decision of the TA and the case will be prosecuted by the Council of State. Council of State rejected the suspension of execution demand. In November 2006; Avea has objected to this decision and submitted its allegations against the TA's assertions. As of the date of the approval of these financial statements, the file is still under investigation of the Council of State and no conclusion has been reached.

Litigation Provisions

A provision of 100% was provided in the consolidated financial statements for the court cases for which the Group's management with the advice of the Group's lawyers believe an unfavourable outcome is probable. Such court cases amount to TL 124,301 as of 31 December 2008 (31 December 2007 - TL 102,832). For the remaining court cases, the Group's lawyers have either advised that they do not consider the claims have merit or they have recommended that they have to be contested. Therefore, no additional provision has been recognised in the consolidated financial statements.

27. Business combinations

In the year ended 31 December 2008, the Company has acquired 99,96% of the shares of Innova, Argela, and Sebit. Information on the acquisition process has been given in Note 18.

28. Events after the balance sheet date

On the request of the union "Türkiye Haber-İş Sendikası", the Ministry of Work and Social Security has given a "Certificate of Authority" dated 29 January 2009 to the said union, authorizing it to make collective bargaining agreements for offices connected to Company. The negotiations are planned to start on 4 February 2009.

The bidding for the third generation GSM, related with the setting up of the 3G system and where Avea also took part, was approved by the Council of State on 4 February 2009. In accordance with the bid specifications, the system is planned to become operative 3 months after the signing of the agreement.

29. Operating expenses (including cost of sales)

	1 January– 31 December 2008	1 January– 31 December 2007
Cost of sales (-)	**(4.885.789)**	(5.258.137)
Marketing, sales and distribution expenses (-)	**(1.240.384)**	(972.935)
General administrative expenses (-)	**(1.605.569)**	(955.191)
Research and development expenses (-)	**(9.817)**	-
	(7.741.559)	(7.186.263)

30. Operating expenses (based on their nature)

	1 January– 31 December 2008	1 January– 31 December 2007
Personnel expenses	**(2.146.063)**	(1.823.820)
Repair and maintenance expenses	**(522.993)**	(343.674)
Domestic interconnection	**(504.344)**	(581.845)
Taxes	**(502.651)**	(457.514)
Commission expenses	**(319.630)**	(234.298)
Advertisement expenses	**(294.181)**	(197.803)
Utilities	**(194.540)**	(120.513)
Rent expenses	**(158.000)**	(220.585)
Invoice dispatching expenses	**(157.788)**	(140.276)
International interconnection	**(101.640)**	(91.932)
IFRIC 12 expenses	**(90.573)**	(170.684)
Court expert expenses	**(45.745)**	(36.096)
Stationary expenses	**(20.981)**	(15.085)
Insurance expenses	**(17.287)**	(11.681)
Others	**(1.033.376)**	(1.102.729)
Total operating expenses (excluding depreciation and amortization expense)	**(6.109.792)**	(5.548.535)
Depreciation and amortization expense	**(1.631.767)**	(1.637.728)
Total operating expenses	**(7.741.559)**	(7.186.263)

30. Other operating income / (expenses)

	1 January– 31 December 2008	1 January– 31 December 2007
Other operating income		
Curtailment and settlement gain (Note 23)	**47.255**	37.617
Actuarial gain (Note 23)	**35.771**	17.960
Release of litigation provision (Note 23)	**-**	18.584
Income on release of bad debt provision (Note 8)	**80.513**	124.547
Indemnity income	**26.177**	-
Gain on scrap sales	**33.807**	-
Other	**87.203**	147.283
	310.726	345.991
Other operating expense (-)		
Litigation provision expense (Note 23)	**(36.229)**	-
Special Consumption Taxes and other expenses	**(4.799)**	(15.298)
Other	**(13.263)**	(1.848)
	(54.291)	(17.146)

31. Financial income / (expense)

	1 January– 31 December 2008	1 January– 31 December 2007
Interest expense on borrowings	**(235.707)**	(196.577)
Exchange losses	**(657.516)**	(35.228)
Other	**(29.355)**	(92.014)
Financial expense	**(922.578)**	(323.819)
Interest income on bank deposits and delay charges	**264.434**	322.293
Exchange gains	**77.068**	420.724
Other	**7.397**	16.095
Financial income	**348.899**	759.112
Net financial income / (expense)	**(573.679)**	435.293

32. Taxation on income

	31 December 2008	31 December 2007
Corporate tax payable:		
Current corporate tax provision	**643.728**	820.920
Less: Prepaid taxes and funds (-)	**(549.846)**	(608.612)
	93.882	212.308

	1 January – 31 December 2008	1 January – 31 December 2007
Tax expense:		
Current income tax expense	**(643.728)**	(820.920)
Deferred income tax credit (Note 14)	**134.954**	411.134
	(508.774)	(409.786)

The Group is subject to taxation in accordance with the tax regulations and the legislation effective in Turkey where the Group companies operate.

In Turkey, the corporation tax rate is 20% (2007 – 20%). Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one instalment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% (2007 – 20%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

With the new law enacted, effective from January 1, 2006, Turkish government ceased to offer investment incentives for capital investments. Companies having unused qualifying capital investment amounts from periods prior to December 31, 2005 will be able to deduct such amounts from corporate income until the end of December 31, 2008; however, the corporate tax rate will be 30% for them. Since the Group has not preferred to make its capital investments after 31 December 2005 subject to deduction, the tax rate used for the corporate tax calculation is 20%.

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

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

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

32. Taxation on income (cont’d)

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

	1 January – 31 December 2008	1 January – 31 December 2007
Profit before tax	**2.136.144**	3.001.442
Tax at the corporate tax rate of 20%	**427.228**	600.288
Tax effects of:		
- expenses that are not deductible in determining taxable profit	**12.383**	24.975
- deferred tax asset recognized from tax losses carried forward by subsidiaries	**(25.407)**	(245.000)
- adjustments and tax losses of subsidiaries not subject to deferred tax	**94.570**	29.523
Tax expense for the year	**508.774**	409.786

34. Financial risk management objectives and policies

Credit risk

As of 31 December 2008	Receivables					
	Trade receivables		Other receivables			
	Related parties	Third parties	Related parties	Third parties	Deposits and banks	Other
Maximum credit risk exposed to as of the reporting date (A+B+C+D+E)	92.944	1.325.873	-	67.188	1.040.228	13.302
- Guaranteed portion of the maximum risk	-	49.227	-	-	-	-
A. Carrying amount of financial assets not overdue or not impaired	92.944	871.988	-	67.188	1.040.228	13.302
B. Carrying amount of financial assets with rediscussed conditions, that are considered overdue or impaired if not rediscussed	-	-	-	-	-	-
C. Carrying amount of financial assets overdue but not impaired	-	452.998	-	-	-	-
- Amount secured via guarantees	-	887	-	-	-	-
D. Carrying amount of assets impaired	-	-	-	-	-	-
- Overdue (gross book value)	-	1.058.918	-	21.833	-	-
- Impairment (-)	-	(1.058.918)		(21.833)	-	-
E. Off balance sheet items with credit risk	-	-	-	-	-	-

As of 31 December 2007	Receivables					
	Trade receivables		Other receivables			
	Related parties	Third parties	Related parties	Third parties	Deposits and banks	Other
Maximum credit risk exposed to as of the reporting date (A+B+C+D+E)	83.172	1.282.263	-	23.380	1.331.541	21.623
- Guaranteed portion of the maximum risk	-	54.325	-	-	-	-
	-	-	-	-	-	-
A. Carrying amount of financial assets not overdue or not impaired	83.172	768.698	-	23.380	1.331.541	21.623
B. Carrying amount of financial assets with rediscussed conditions, that are considered overdue or impaired if not rediscussed	-	-	-	-	-	-
C. Carrying amount of financial assets overdue but not impaired	-	513.565	-	-	-	-
- Amount secured via guarantees	-	-	-	-	-	-
D. Carrying amount of assets impaired	-	-	-	-	-	-
- Overdue (gross book value)	-	890.069	-	14.787	-	-
- Impairment (-)	-	(890.069)	-	(14.787)	-	-
E. Off balance sheet items with credit risk	-	-	-	-	-	-

When determining the credit risk exposed to as of the balance sheet date, items like guarantees received, which provide increased credit reliability have not been considered. The aging for assets overdue but not impaired for has been provided in Note 8.

34. Financial risk management objectives and policies (cont'd)

Liquidity risk

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

The Group manages short, medium and long term funding and liquidity management requirements by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2008 and 2007 based on contractual undiscounted payments (including interest payments not due yet).

Contract based maturities as of 31 December 2008	Book value	Total contract based cash outflow (=I+II+III+IV)	**Less than 3 months** (I)	**3 to 12 months** (II)	**1 to 5 years** (III)	**More than 5 years** (IV)
Non-derivative financial liabilities						
Bank borrowings	3.408.482	3.998.963	935.057	458.293	1.851.921	753.692
Obligations under finance leases	46.760	59.782	2.064	6.352	30.472	20.894
Trade payables	881.319	881.319	880.524	795	-	-
Other payables	29.294	29.294	29.294	-	-	-
Related parties	21.517	21.517	21.517	-	-	-
Derivative financial liabilities (Net)	208,722					
Cash inflow from derivatives	-	394,526	76,199	52,363	240,120	25,844
Cash outflow from derivatives	-	(603,248)	(83,337)	(81,987)	(386,843)	(51,081)

Contract based maturities as of 31 December 2008	Book value	Total contract based cash outflow (=I+II+III+IV)	**Less than 3 months** (I)	**3 to 12 months** (II)	**1 to 5 years** (III)	**More than 5 years** (IV)
Non-derivative financial liabilities						
Bank borrowings	2.107.499	2.750.334	432.611	111.233	1.286.809	919.681
Obligations under finance leases	40.925	53.806	1.765	5.061	24.103	22.877
Trade payables	655.298	655.298	654.158	1.140	-	-
Other payables	26.990	26.990	13.176	-	13.814	-
Related parties	7.105	7.105	7.105	-	-	-
Derivative financial liabilities (Net)	61295					
Cash inflow from derivatives	-	-	-	-	-	-
Cash outflow from derivatives	-	-	-	-	(61.295)	-

34. Financial risk management objectives and policies (cont'd)

Foreign currency risk:

The Group has transactional currency exposures mainly with respect to the bank borrowings. Foreign currency denominated borrowings are stated in Note 7.

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

As of 31 December 2008	Profit/Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Appreciation of USD against TL at 1%:		
1- US Dollars net asset/liability	(21.769)	21.769
2- Portion protected from US Dollar risk (-)	454	(454)
3- US Dollar net effect (1+2)	**(21.315)**	**21.315**
Appreciation of Euro against TL at 1%:		
4- Euro net asset/liability	(2.063)	2.063
5- Portion protected from Euro risk (-)	-	-
6- Euro net effect (4+5)	**(2.063)**	**2.063**
Appreciation of other foreign currencies against TL at 1%:		
7- Other foreign currency net asset/liability	(11)	11
8- Portion protected from other foreign currency (-)	-	-
9- Other foreign currency net effect (7+8)	**(11)**	**11**
Total (3+6+9)	**(23.389)**	**23.389**

As of 31 December 2007	Profit/Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Appreciation of USD against TL at 1%:		
1- US Dollars net asset/liability	(19.495)	19.495
2- Portion protected from US Dollar risk (-)	1.165	(1.165)
3- US Dollar net effect (1+2)	(18.330)	18.330
Appreciation of Euro against TL at 1%:		
4- Euro net asset/liability	(734)	734
5- Portion protected from Euro risk (-)	-	-
6- Euro net effect (4+5)	(734)	734
Appreciation of other foreign currencies against TL at 1%:		
7- Other foreign currency net asset/liability	-	-
8- Portion protected from other foreign currency (-)	-	-
9- Other foreign currency net effect (7+8)	-	-
Total (3+6+9)	(19.064)	19.064

34. Financial risk management objectives and policies (cont'd)

Foreign currency position (cont'd):

	12/31/2008					12/31/2007		
	TL Equivalent	US Dollar	Euro	GBP	Other	TL Equivalent	US Dollar	Euro
1. Trade receivables	**147.121**	**79.370**	**12.654**	**-**	**-**	91.576	62.311	11.111
2a. Monetary financial assets (Cash and banks accounts included)	**388.775**	**224.559**	**22.962**	**8**	**-**	143.188	37.943	57.886
2b. Non-monetary financial assets	**-**	**-**	**-**	**-**	**-**	-	-	-
3. Other	**25.235**	**14.840**	**1.285**	**19**	**-**	-	-	-
4. Current assets (1+2+3)	**561.131**	**318.768**	**36.901**	**27**	**-**	234.764	100.254	68.997
5. Trade receivables	**-**	**-**	**-**	**-**	**-**	-	-	-
6a. Monetary financial assets	**-**	**-**	**-**	**-**	**-**	-	-	-
6b. Non-monetary financial assets	**-**	**-**	**-**	**-**	**-**	-	-	-
7. Other	**380**	**250**	**-**	**1**	**-**	-	-	-
8. Non-current assets (5+6+7)	**380**	**250**	**-**	**1**	**-**	-	-	-
9. Total assets (4+8)	**561.511**	**319.018**	**36.901**	**27**	**-**	234.764	100.254	68.997
10. Trade payables	**181.480**	**79.829**	**27.374**	**967**	**40**	103.967	71.794	11.898
11. Financial liabilities	**549.523**	**347.360**	**11.309**	**-**	**-**	446.150	378.708	2.964
12a. Monetary other liabilities	**24.075**	**8.025**	**5.577**	**-**	**-**	-	-	-
12b. Non-monetary other liabilities	**-**	**-**	**-**	**-**	**-**	-	-	-
13. Short-term liabilities (10+11+12)	**755.078**	**435.214**	**44.260**	**967**	**40**	550.117	450.502	14.862
14. Trade payables	**-**	**-**	**-**	**-**	**-**	-	-	-
15. Financial liabilities	**2.374.897**	**1.440.199**	**87.728**	**-**	**-**	1.783.101	1.388.418	97.071
16 a. Monetary other liabilities	**16**	**11**	**-**	**-**	**-**	-	-	-
16 b. Non-monetary other liabilities	**-**	**-**	**-**	**-**	**-**	-	-	-
17. Long-term liabilities (14+15+16)	**2.374.913**	**1.446.210**	**87.728**	**-**	**-**	1.783.101	1.388.418	97.071
18. Total liabilities (13+17)	**3.129.991**	**1.881.424**	**131.988**	**967**	**40**	2.333.218	1.838.920	111.933
19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b)	**(208.722)**	**(138.016)**	**-**	**-**	**-**	(75.494)	(64.819)	-
**19a. Total asset amount hedged ** **	**793**	**524**	**-**	**-**	**-**	-	-	-
19b. Total liability amount hedged ***	**209.515**	**138.540**	**-**	**-**	**-**	75.494	64.819	-
20. Net foreign currency asset/(liability) position (9-18+19)	**(2.777.202)**	**(1.700.422)**	**(95.087)**	**(939)**	**(40)**	(2.173.948)	(1.803.485)	(42.936)
21. Net asset/(liability) position of foreign currency monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)*	**(2.385.373)**	**(1.439.479)**	**(96.372)**	**(959)**	**(40)**	(2.022.960)	(1.673.847)	(42.936)

34. Financial risk management objectives and policies (cont'd)

Financial Risk Factors

The Group's principal financial instruments comprise forward market transactions, bank loans and cash and short-term deposits. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The board reviews and agrees to policies for managing each of these risks and they are summarised below.

Interest rate risk

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

The interest-bearing financial liabilities have variable interest rates, whereas the interest bearing financial assets have a fixed interest rate and future cash flows associated with these financial instruments will not fluctuate in amount. Therefore, the Group is exposed to fair value risk. These exposures are partially managed by interest rate swaps.

The interest rate risk table is presented below

	31 Aralık 2008	31 Aralık 2007
Financial instruments with fixed interest rate		
Financial liabilities	**776.857**	21.557
Financial instruments with variable interest rate		
Financial liabilities	**2.678.385**	2.126.872

If the base point of TL denominated interest rates for financial instruments with variable interest rate was higher/lower 0.25%, with all other variables held constant, the Group's income before tax and minority interest would be lower/higher TL 1,160 (31 December 2007 – TL 1,135)

On the other side, hedging against financial risk would have - without affecting income before tax and minority interest – a direct effect on equity and equity would be higher/lower TL 16,934 (31 December 2007 – TL 11,268).

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

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

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

	Defter Değeri		**Rayiç Değer**	
	Current period	**Prior period**	**Current period**	**Prior period**
Finansal Varlıklar				
Nakit ve nakit benzeri	**1.041.982**	1.332.792	**1.041.982**	1.332.792
Ticari ve diğer alacaklar	**1.485.118**	1.388.815	**1.485.118**	1.388.815
Finansal Yükümlülükler				
Finansal borçlar	**3.408.482**	2.107.499	**3.403.356**	2.208.582

The Group is subject to interest risk due to bank borrowings and finance lease obligations. In order to cover for these risks, the Group has entered into interest rate swaps. The carrying amount and the maturities of these financial instruments have been presented above.

34. Financial risk management objectives and policies (cont'd)

Capital Management Policies

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. In this respect the Group restructured its debt obligations through replacing the majority of the short-term loans with long-term ones and further to this rolled over the remaining of short-term loans during the year 2007.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or return capital to shareholders. No changes were made in the objectives, policies or processes during the years 2008 and 2007.

35. 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 Turk Telekom owned by the Treasury, the minority shareholder of Türk Telekom, has been sold as of May 15, 2008, through an initial public offering ("IPO") (such shares correspondence to corresponding to 15% Türk Telekom's shares).During the IPO 12,299,160,300 of such shares have been allocated to the employees of Türk Telekom, PTT and small investors together with 5.220.503.000 shares allocated to domestic investors with high purchasing power with discounted price varying according to the payment terms and application date (compared to the price applied to the other corporate investors for the remaining shares of 34.980.335.900. The discounts provided to Türk Telekom employees have been considered as within the scope of IFRS 2 ("Share Based Payment") by the management of Türk Telekom considering the fact that Türk Telekom receives services from its employees. The Group has reflected the fair value of the discounts provided to Türk Telekom employees, amounting to TL 9.528, as an expense in the consolidated income statement for year ended 31 December 2008 and credited the same amount into the equity as a share based payment reserve.

The market price during the IPO	TL 4,60
The average price applied to the employees of Turk Telekom	TL 4.2937
The number of shares sold to Türk Telekom's employees (lot)	31.104.948
Expense reflected to the consolidated income statement	TL 9.528

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

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

The fair value of the discounts provided to these groups amounts to approximately TL 34.000.