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

Türk Telekomünikasyon Anonim Şirketi

Consolidated financial statements as at 31 December 2009 and independent auditors' report

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

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

Independent auditors' report

To the Shareholders of Türk Telekomünikasyon Anonim Şirketi;

We have audited the accompanying consolidated balance sheet of Türk Telekomünikasyon A.Ş. (the Company) and Its Subsidiaries as at 31 December 2009 and the related consolidated income statement, consolidated comprehensive income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly the financial position of Türk Telekomünikasyon A.Ş. and Its Subsidiaries as at 31 December 2009 and their financial performance and cash flows for the year then ended in accordance with financial reporting standards published by the Capital Market Board in Turkey.

Additional paragraph for convenience translation to English:

As at 31 December 2009, the accounting principles described in Note 2.1 (defined as CMB Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting and also for certain disclosures requirement of the CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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

Metin Canoğulları, SMMM

11 February 2010
İstanbul, Turkey

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated balance sheet as at 31 December 2009

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

	Notes	Current period Audited 31 December 2009	Prior period Audited 31 December 2008
Assets			
Current assets		**2.844.599**	2.998.480
Cash and cash equivalents	6	**753.693**	1.041.982
Trade receivables			
- Due from related parties	10	**90.992**	92.944
- Other trade receivables	8	**1.396.175**	1.324.986
Financial investments	17	**-**	793
Other receivables	12	**33.309**	67.188
Inventories	13	**62.920**	49.080
Other current assets	15	**507.510**	414.147
		2.844.599	2.991.120
Assets held for sale	19	**-**	7.360
Non-current assets		**10.556.763**	9.660.966
Other receivables		**676**	669
Financial investments	16	**11.840**	11.840
Investment property	20	**291.001**	310.654
Property, plant and equipment	21	**6.629.328**	6.277.125
Intangible assets	22	**3.286.440**	2.734.374
Goodwill	18	**49.172**	48.735
Deferred tax asset	14	**245.125**	272.894
Other non-current assets	15	**43.181**	4.675
Total assets		**13.401.362**	12.659.446

The accompanying policies and explanatory notes on pages 9 through 89 form an integral part of these consolidated financial statements.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated balance sheet
as at 31 December 2009
(Currency - in Thousands of Turkish Lira ("TRY"))

	Notes	Current period Audited 31 December 2009	Prior period Audited 31 December 2008
Liabilities			
Current liabilities		**4.664.947**	3.548.688
Financial liabilities			
- Bank borrowings	7	**2.154.838**	1.285.578
- Obligations under finance leases	9	**5.446**	5.233
Other financial liabilities			
- Derivative financial instruments	17	**58.835**	-
Trade payables			
- Due to related parties	10	**23.820**	21.517
- Other trade payables	8	**858.058**	881.319
Other payables			
- Other payables		**39.903**	29.294
Income tax payable	33	**149.982**	93.882
Provisions	23	**248.595**	232.075
Other current liabilities	12	**1.125.470**	999.790
Non-current liabilities		**3.314.449**	3.997.151
Financial liabilities			
- Bank borrowings	7	**1.777.309**	2.122.904
- Obligations under finance leases	9	**36.483**	41.527
Other financial liabilities			
- Minority put option liability	11	**543.103**	586.439
- Derivative financial instruments	17	**48.179**	209.515
Other payables			
- Due to related parties	10	**-**	336
- Other payables		**8.942**	16.094
Provisions	23	**7.139**	5.126
Provisions for employee termination benefits	23	**634.171**	667.148
Deferred tax liability	14	**252.638**	338.504
Other non-current liabilities	12	**6.485**	9.558
Equity		**5.421.966**	5.113.607
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	**(488.749)**	(386.719)
- Fair value difference arising from acquisition of subsidiary	24	**(308.634)**	(294.065)
- Unrealized loss on derivative financial instruments		**(86.441)**	(169.957)
- Share based payment reserve	25	**9.528**	9.528
Currency translation reserve		**(188)**	(57)
Restricted reserves allocated from profits		**1.204.192**	1.231.408
Retained earnings / (accumulated deficit)	24	**280**	(288.991)
Net income for the year		**1.831.730**	1.752.212
Total liabilities and equity		**13.401.362**	12.659.446

The accompanying policies and explanatory notes on pages 9 through 89 form an integral part of these consolidated financial statements.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated income statement
for year ended 31 December 2009
(Currency - in Thousands of Turkish Lira ("TRY") unless otherwise indicated)

	Notes	Current period Audited 1 January 2009 - 31 December 2009	Prior period Audited 1 January 2008 - 31 December 2008
Continuing operations			
Sales	5	**10.568.461**	10.194.947
Cost of sales (-)	5, 29	**(5.129.589)**	(4.885.789)
Gross profit		**5.438.872**	5.309.158
Marketing, sales and distribution expenses (-)	5, 29	**(1.307.498)**	(1.240.384)
General administrative expenses (-)	5, 29	**(1.713.865)**	(1.605.569)
Research and development expenses (-)	5, 29	**(29.332)**	(9.817)
Other operating income	31	**493.581**	310.726
Other operating expense (-)	31	**(190.034)**	(54.291)
Operating profit		**2.691.724**	2.709.823
Financial income	32	**295.438**	348.899
Financial expense (-)	32	**(662.197)**	(922.578)
Profit before tax from continuing operations		**2.324.965**	2.136.144
Tax expense from continuing operations			
- Period tax expense	33	**(731.035)**	(643.728)
- Deferred tax income	14, 33	**58.097**	134.954
Profit for the year		**1.652.027**	1.627.370
Attribution of period income			
Attributable to equity holders of the parent		**1.831.730**	1.752.212
Minority interest	24	**(179.703)**	(124.842)
Earnings per share attributable to equity holders of the parent from continuing operations (in full Kuruş)	24	**0,5234**	0,5006
Earnings per diluted share attributable to equity holders of the parent from continuing operations (in full Kuruş)	24	**0,5234**	0,5006

The accompanying policies and explanatory notes on pages 9 through 89 form an integral part of these consolidated financial statements.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated comprehensive income statement for year ended 31 December 2009

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

	Current period	Prior period
	Audited	Audited
	1 January 2009 - 31 December 2009	1 January 2008 - 31 December 2008
Profit for the year	**1.652.027**	1.627.370
Other comprehensive income:		
Fair value loss on hedge instruments transferred to consolidated income statement (Note 17)	**105.264**	15.370
Change in fair value of derivative financial instruments	**(1.980)**	(156.400)
Change in currency translation differences	**(131)**	(57)
Other comprehensive income/(loss) (after tax)	**103.153**	(141.087)
Total comprehensive income	**1.755.180**	1.486.283
Appropriation of total comprehensive income:		
Attributable to equity holders of the parent	**1.915.115**	1.637.752
Minority interest	**(159.935)**	(151.469)

The accompanying policies and explanatory notes on pages 9 through 89 form an integral part of these consolidated financial statements.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated statement of changes in equity
for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira ("TRY"))

				Other reserves								
	Paid-in share capital	Inflation adjustment to paid in capital	Restricted reserves allocated from profits	Minority put option liability reserve	Share based payment reserve (Note 25)	Difference arising from acquisition of subsidiary	Unrealized loss on derivative financial instruments	Currency translation reserve	Retained earnings/ (accumulated deficit)	Net income for the year	Minority interest	Total equity
Balance as at 1 January 2008	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	-	-	-	-	-	-	(199.720)	(149.628)
Share based payment reserve (Note 25)	-	-	-	-	9.528	-	-	-	-	-	-	9.528
Other comprehensive income / (loss)	-	-	-	-	-	-	(114.403)	(57)	-	-	(26.627)	(141.087)
Dividend paid (Note 24)	-	-	-	-	-	-	-	-	(2.743.605)	-	-	(2.743.605)
Net profit for the year	-	-	-	-	-	-	-	-	-	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
Balance as at 1 January 2009	**3.500.000**	**(239.752)**	**1.231.408**	**(386.719)**	**9.528**	**(294.065)**	**(169.957)**	**(57)**	**(288.991)**	**1.752.212**	**-**	**5.113.607**
Transfer to restricted reserves allocated from profits	-	-	261.775	-	-	-	-	-	280	(262.055)	-	-
Transfer of accumulated deficit to restricted reserves allocated from profits (Note 24)	-	-	(288.991)	-	-	-	-	-	288.991	-	-	-
Minority interest before classification to minority put option liability (Note 24)	-	-	-	-	-	-	-	-	-	-	199.720	199.720
Minority put option liability	-	-	-	(102.030)	-	-	-	-	-	-	(54.354)	(156.384)
Other comprehensive income / (expense)	-	-	-	-	-	-	83.516	(131)	-	-	19.768	103.153
Difference due to the change in shareholding rate in a subsidiary	-	-	-	-	-	(14.569)	-	-	-	-	14.569	-
Dividend paid (Note 24)	-	-	-	-	-	-	-	-	-	(1.490.157)	-	(1.490.157)
Net income for the year	-	-	-	-	-	-	-	-	-	1.831.730	(179.703)	1.652.027
Balance as at 31 December 2009	**3.500.000**	**(239.752)**	**1.204.192**	**(488.749)**	**9.528**	**(308.634)**	**(86.441)**	**(188)**	**280**	**1.831.730**	**-**	**5.421.966**

The accompanying policies and explanatory notes on pages 9 through 89 form an integral part of these consolidated financial statements.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated statement of cash flows for the year ended 31 December 2009

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

	Notes	Current period Audited 1 January - 31 December 2009	Prior period Audited 1 January - 31 December 2008
Profit for the period before income tax		**2.324.965**	2.136.144
Adjustments to reconcile profit before tax to cash provided by operating activities:			
Depreciation and amortisation and impairment expense	30	**1.557.418**	1.631.767
IFRIC 12 revenue		**(14.186)**	(98.645)
Gain on sale of property, plant and equipment		**(4.657)**	(4.210)
Foreign currency exchange income / (expense), net		**(6.008)**	656.088
Interest expense and income, net		**90.022**	(28.727)
Reversal of doubtful receivables	8, 31	**(179.862)**	(80.513)
Allowance for doubtful receivables	8, 12	**362.547**	259.498
Provision for employee termination benefits	23	**111.946**	143.769
Curtailment and settlement gain	23, 31	**(52.140)**	(47.255)
Litigation provision / (release), net	23	**92.534**	46.590
Actuarial (gain) / loss	23	**35.002**	(34.139)
Unused vacation provision, net	23	**8.614**	(13.609)
Share based payments	25	**-**	9.528
(Gain) / loss on derivative financial instruments		**215.874**	(7.801)
Other provisions		**2.012**	-
Operating profit before working capital changes		**4.544.081**	4.568.485
Net working capital changes in:			
Trade receivables		**(248.863)**	(223.291)
Restricted cash		**(10.139)**	(15.554)
Other current assets and inventories		**(76.353)**	(19.035)
Trade payables		**(20.975)**	240.433
Other non-current assets		**(38.441)**	(2.163)
Provisions, other liabilities and other non-current liabilities		**(6.469)**	(46.569)
Other non-current liabilities and provisions		**(3.074)**	(1.840)
Payments made for long-term employee benefits		**(127.785)**	(360.715)
Provisions paid	23	**(84.628)**	(24.783)
Taxes paid	23	**(674.935)**	(762.149)
Net cash provided by operating activities		**3.252.419**	3.352.819
Investing activities			
Interest received		**201.879**	264.434
Acquisition of financial asset	16	**-**	(640)
Effect of acquisition of subsidiary, net of cash acquired		**(331)**	-
Proceeds from sale of property, plant, equipment and intangible assets		**40.179**	43.324
Purchase of property, plant and equipment, investment property and intangible assets	19, 21, 22	**(2.320.927)**	(1.637.603)
Net cash used in investing activities		**(2.079.200)**	(1.330.485)
Cash flow from financing activities			
Proceeds from bank borrowings		**21.205.005**	7.160.197
Repayment of bank borrowings		**(20.659.828)**	(6.528.111)
Repayment of obligations under financial leases		**(5.199)**	(6.772)
Interest paid		**(307.169)**	(210.407)
Dividends paid	24	**(1.490.157)**	(2.743.605)
Derivative instrument payments		**(214.299)**	-
Net cash used in financing activities		**(1.471.647)**	(2.328.698)
Net decrease in cash and cash equivalents		**(298.428)**	(306.364)
Cash and cash equivalents at the beginning of the year	6	**616.109**	922.473
Cash and cash equivalents at the end of the year	6	**317.681**	616.109

The accompanying policies and explanatory notes on pages 9 through 89 form an integral part of these consolidated financial statements.

1. Corporate organization and activities

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

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

According to the permission of the Capital Market Board ("CMB") numbered 22/256, out of TRY 3.500.000 nominal amount of capital, 15% of the Company's shares owned by the Treasury corresponding to a nominal amount of TRY 525.000 has been issued to the public through an initial public offering with the permission of Directorate of Istanbul Stock Exchange on 15 May 2008.

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

As at 31 December 2009 and 31 December 2008, the ultimate parent and controlling party of the Company is Saudi Oger Ltd ("Saudi Oger"), because of its controlling ownership in Oger Telecom.

A concession agreement ("the Concession Agreement") was signed by the Company and the Information and Communication Technologies Authority ("ICTA") (formerly named Turkish Telecommunication Authority ("TA") as at November 14, 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 February 28, 2001.

On March 12, 2009, the Company acquired 99,99% shares of Sobee Yazılım Ticaret Limited Şirketi, ("Sobee"), which is incorporated in Turkey.

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

1. Corporate organization and activities (continued)

The details of the Company's subsidiaries as at 31 December 2009 and 31 December 2008 are as follows:

Name of Subsidiary	Place of incorporation and operation	Principal activity	Effective ownership of the Company (%)	
			31 December 2009	31 December 2008
TTNet Anonim Şirketi ("TTNet")	Turkey	Internet Service Provider	**99,96**	99,96
Avea İletişim Hizmetleri A.Ş.("Avea")	Turkey	GSM Operator	**81,37**	81,12
Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret Anonim Şirketi ("Argela")	Turkey	Telecommunications Solutions	**99,96**	99,96
Innova Bilişim Çözümleri Anonim Şirketi ("Innova")	Turkey	Telecommunications Solutions	**99,96**	99,96
Assistt Rehberlik ve Müşteri Hizmetleri Anonim Şirketi ("AssisTT")	Turkey	Call Centre and Customer Relations	**99,96**	99,96
Sebit Eğitim ve Bilgi Teknolojileri A.Ş. ("Sebit")	Turkey	Web Based Learning	**99,96**	99,96
Argela - USA. Inc.	USA	Telecommunication Solutions	**99,96**	99,96
Sebit LLC	USA	Web Based Learning	**99,96**	99,96
IVEA Software Solutions FZ-LLC ("IVEA")	UAE	Telecommunication Solutions	**99,96**	99,96
SOBEE Yazılım Ticaret Limited Şirketi ("Sobee")	Turkey	Software gaming services	**99,99**	-

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

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

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

The numbers of personnel of the Group as at 31 December 2009 and 31 December 2008 are disclosed in Note 23.

Consolidated financial statements were approved by the Board of Directors of the Company and authorized for issue on 11 February 2010. The general assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

2. Basis of preparation financial statements

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

2.1 Basis of presentation of the consolidated financial statements

Excluding the subsidiaries incorporated outside of Turkey having USD functional currency, Group's functional currency is Turkish Lira ("TRY") and the Group maintains its books of account and prepares its statutory financial statements in Turkish Lira ("TRY") in accordance with Turkish Commercial Code and Tax Legislation and the Uniform Chart of Accounts ("UCA") issued by the Ministry of Finance.

The consolidated financial statements and disclosures have been prepared in accordance with the format that must be applied according to the communiqué numbered XI-29 announced by the CMB (hereinafter will be referred to as "the CMB Accounting Standards") 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 the Accounting Standards of the CMB and are presented in TRY. Such adjustments mainly comprise the effect of accounting for deferred taxation, provision for doubtful receivables, accounting for the depreciation charge of property, plant and equipment according to lower of useful life and concession periods, accounting for expense accruals, accounting of property, plant and equipment and intangible assets in accordance with International Financial Reporting Interpretations Committee ("IFRIC") 12, effects of application for long-term employee benefits according to International Accounting Standards ("IAS") 19, and the effects of application of IFRS 3 "Business Combinations".

As at 31 December 2009 and 2008, the consolidated financial statements have been prepared on the historical cost basis except with for the Company's property, plant and equipment and investment property for which the deemed cost method in accordance with IAS 16 "Property, Plant and Equipment" was applied for acquisitions prior to 1 January 2000, derivative financial instruments and minority put option liability which have been reflected at their fair values.

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

Additional paragraph for convenience translation to English:

As at 31 December 2009, the accounting principles described in Note 2 (defined as CMB Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting and also for certain disclosures requirement of the CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

2. Basis of preparation financial statements (continued)

2.2 Changes in accounting policies

The acquisition of Sebit on 17 December 2007 had been accounted provisionally at 31 December 2007 subject to change in accordance with IFRS 3. The Purchase Price Allocation (PPA) accounting for Sebit has been finalized as at 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. Fair value difference amounting to TRY 2.011 has been reflected to consolidated income statement as the PPA accounting has been finalized.

New standards and interpretations:

The accounting policies adopted in the preparation of the consolidated financial statements as at 31 December 2009 are consistent with those followed in the preparation of the consolidated financial statements of the prior year and for the year ended 31 December 2008, except for the adoption of new standards summarized below and IFRIC interpretations. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at 31 December 2009 are as follows:

Amendments to IFRS 1 ''First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements- Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate''

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 at the fair value of the investment at the date of transition to IFRS, determined in accordance with IAS 39 or at the previous GAAP carrying amount of the investment at the date of transition to IFRS. The amendment does not have any effect on Group's financial performance.

Amendments to IFRS 2 "Share-based Payment- Vesting Conditions and Cancellations"

The purpose of this amendment is to give greater clarity in respect of vesting conditions and cancellations. The amendment defines a 'vesting condition' and a 'non-vesting condition'. The amendment does not have any effect on Group's financial performance.

Amendments to IFRS 7 "Financial Instruments: Disclosures"

IFRS 7 has been amended to enhance disclosures about fair value measurement and liquidity risk. IFRS 7 now requires instruments measured at fair value to be disclosed by the source of the inputs in determining fair value, using three level hierarchy. Disclosures also require a full reconciliation of Level 3 instruments and transfers between Level 1 and Level 2. The minimum liquidity risk disclosures of IFRS 7 have also been amended. The Group has disclosed the amendments in ''Financial Risk Management Objectives and Policies' disclosure.

2. Basis of preparation financial statements (continued)

2.2 Changes in accounting policies (continued)

IFRS 8 "Operating Segments"

IFRS 8 replaces IAS 14 Segment Reporting and adopts a full management approach to identifying, measuring and disclosing the results of its operating segments. The information reported is that which the chief operating decision maker uses internally for evaluating the performance of operating segments and allocating resources to those segments. When the information provided to management is recognised or measured on a different basis to IFRS information presented in the primary financial statements, entities need to provide explanations and reconciliations of the differences. Since information used in the Group management reporting is consistent with consolidated balance sheet and consolidated income statement the Group, does not need to perform reconciliation between the consolidated income statement, consolidated balance sheet and the segment reporting disclosure.

Amendments to IAS 1 "Presentation of Financial Statements"

IAS 1 has been revised to enhance the usefulness of information presented in the financial statements.

The statement of changes in equity includes only transactions with owners, defined as 'holders of instruments classified as equity'. All non-owner changes are presented in equity as a single line, with details included in a separate statement. 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'. Entities may choose to present all items in one statement, or to present two linked statements, a separate income statement and a statement of comprehensive income. The Group has presented both comprehensive income statement and income statement as two separate statements.

Amendments to IAS 23 "Borrowing Costs"

The revised Standard eliminates the option of expensing all borrowing costs and requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of qualifying asset. The Group has reflected the effects of the revision in its consolidated financial statements.

Amendments to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements- Puttable Financial Instruments and Obligations Arising on Liquidation"

This amendment will permit a range of entities to recognise their capital as equity rather than as financial liabilities, as currently required by IAS 32. IAS 1 has been amended to require the additional disclosures if an entity has a puttable instrument that is presented as equity. The amendment does not have any effect on Group's financial performance.

2. Basis of preparation financial statements (continued)

2.2 Changes in accounting policies (continued)

Amendments to IFRIC 9 "Reassessment of Embedded Derivatives" and IAS 39 "Financial Instruments: Recognition and Measurement - Embedded Derivatives"

According to amendments in IFRIC 9, an entity must assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. The assessment must be made on the basis of the circumstances that existed on the later of:

(a) The date when the entity first became a party to the contract, and

(b) The date of a change in the terms of the contract that significantly modifies the cash flows that otherwise would have been required under the contract.

The amendment does not have any effect on Group's financial performance.

IFRIC 13 "Customer Loyalty Programmes"

The interpretation requires loyalty award credits granted to customers in connection with a sales transaction to be accounted for as a separate component of the sales transaction. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. Currently, Avea offers free counters to its existing customers based on their past consumption value. The Group considers these free granted counters in revenue recognition 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"

IFRIC 15 provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and, accordingly, when revenue from the construction should be recognised. The interpretation does not have any effect on Group's financial performance.

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

IFRIC 16 concludes that the presentation currency does not create an exposure to which an entity may apply hedge accounting. Consequently, a parent entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation. The hedging instrument(s) may be held by any entity or entities within the group. The amendment does not have any effect on Group's financial performance.

IFRIC 18 "Transfers of Assets from Customers"

This interpretation provides guidance on how to account for items of property, plant and equipment received from customers or cash that is received and used to acquire or construct specific assets. The interpretation does not have any effect on Group's financial performance as at 31 December 2009. However, the Group will reflect the effect of the interpretation to its consolidated financial statements in case of transactions within the scope of IFRIC 18 in the future periods.

2. Basis of preparation financial statements (continued)

2.2 Changes in accounting policies (continued)

Improvements to IFRS (issued in 2008)

In May 2008, International Accounting Standards Board (IASB) has issued amendments in order to eliminate the inconsistencies and clarify the explanations related to standards. Transitional provisions and application periods vary for each amendment which is 1 January 2009 for the earliest.

Standards amended by IASB in May 2008 are as follows:

IFRS 5 "Non current assets held for sale and discontinued operations"
IAS 8 "Accounting policies, changes in accounting estimates and errors"
IAS 10 "Events after the reporting period"
IAS 16 "Property, plant and equipment"
IAS 18 "Revenue"
IAS 19 "Employee benefits"
IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance"
IAS 27 "Consolidated and separate financial statements" (amendment)
IAS 28 "Investments in associates"
IAS 29 "Financial reporting in Hyperinflationary economies"
IAS 31 "Interests in joint ventures"
IAS 36 "Impairment of assets"
IAS 38 "Intangible assets"
IAS 39 "Financial Instruments: Recognition and Measurement"
IAS 40 "Investment Property"
IAS 41 "Agriculture" (Amendment)
IFRIC 9 (Reassessment of Embedded Derivatives) and IAS 39 Financial Instruments: Recognition and Measurement
IAS 34 "Interim financial reporting"

Improvements to International Financial Reporting Standards (issued in 2009)

In April 2009, International Accounting Standards Board (IASB) has issued amendments in order to eliminate the inconsistencies and clarify the explanations related to standards. Transitional provisions and application periods vary for each amendment which is 1 July 2009 for the earliest.

Standards amended by IASB are as follows:

- IFRS 2: Scope of IFRS 2 and revised IFRS 3
- IFRS 5: Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations
- IFRS 8: Disclosure of information about segment assets
- IAS 1: Current/non-current classification of convertible instruments
- IAS 7: Classification of expenditures on unrecognised assets
- IAS 17: Classification of leases of land and buildings
- IAS 18: Determining whether an entity is acting as a principal or as an agent
- IAS 36: Unit of accounting for goodwill impairment test
- IAS 38: Additional consequential amendments arising from revised IFRS 3
- IAS 38: Measuring the fair value of an intangible asset acquired in a business combination

2. Basis of preparation financial statements (continued)

2.2 Changes in accounting policies (continued)

- IAS 39: Treating loan prepayment penalties as closely related embedded derivatives
- IAS 39: Scope exemption for business combination contracts
- IAS 39: Cash flow hedge accounting
- IFRIC 9: Scope of IFRIC 9 and revised IFRS 3
- IFRIC16: Amendment to the restriction on the entity the entity that can hold hedging instruments

New and Amended Standards and Interpretations Applicable to 31 December 2010 Financial Statements

Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards - Additional Exemptions for First - Time Adopters"

The amendments will provide relief to entities that are first-time adopters with oil and gas assets or leases by reducing the cost of transition to IFRS. The amendments may be applied earlier than the effective date and this fact must be disclosed. The amendment does not have any effect on Group's financial performance.

Amendments to IFRS 2 'Group cash settled share based Payment Transactions'

For group reporting and consolidated financial statements, the amendment clarifies that if an entity receives goods or services that are cash settled by shareholders not within the group, they are outside the scope of IFRS 2. Management will need to consider any such past transactions. The amendment may have a significant effect on the cost recognised in separate financial statements of an entity that has material share-based payment awards that have not previously been accounted for in accordance with IFRS 2. This may have a potential tax accounting impact on all parties involved. This amendment is applied retrospectively, in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in respect of changes in accounting policy. Earlier application is permitted and must be disclosed. The amendment does not have any effect on Group's financial performance.

Amendments to IFRS 3 "Business Combinations" and IAS 27 "Amendments to Separate Financial Statements"

The revised IFRS 3 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). The amended IAS 27 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. Change in the shareholding percentage of the Company in Avea has been accounted as "Difference arising from an acquisition of a subsidiary".

2. Basis of preparation financial statements (continued)

2.2 Changes in accounting policies (continued)

Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – "Eligible Hedged Items"

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. The amendment does not have any effect on Group's financial performance.

IFRIC 17 "Distributions of Non-cash Assets to Owners"

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. This interpretation is to be applied prospectively. The interpretation does not have any effect on Group's financial performance.

New and Amended Standards and Interpretations Issued that are Effective Subsequent to 31 December 2010 (these amendments have not been adopted by European Union yet):

Group is assessing the effects of these interpretation and amendment revisions on its consolidated financial statements.

IFRIC 9 ''Reassessment of embedded derivatives'' (Effective for periods beginning on or after 1 January 2013)

IFRS 9 introduces new requirements for classifying and measuring financial assets. *The standard is not expected to have an effect on Group's consolidated financial statements.*

Amendment to IAS 24 "Related Party Disclosure's (Effective for periods beginning on or after 1 January 2011)

The main changes to IAS 24 are a partial exemption from the disclosure requirements for transactions between a government-controlled reporting entity and that government or other entities controlled by that government and amendments to the definition of a related party. Group will apply the amendment in its disclosures for the periods commencing 1 January 2011.

Amendment to IAS 32 Classification of Rights Issues (Effective for periods beginning on or after 1 February 2010)

The amendment to IAS 32 addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. The amendment does not have any effect on Group's financial performance.

Amendment to IFRIC 14 "Prepayments of a Minimum Funding Requirement" (Effective for periods beginning on or after 1 January 2011, with earlier application permitted)

Without the amendments, in some circumstances entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendment does not have any effect on Group's financial performance.

2. Basis of preparation financial statements (continued)

2.2 Changes in accounting policies (continued)

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (Effective for periods beginning on or after 1 July 2010, with earlier application permitted)

IFRIC 19 addresses only the accounting by the entity that issues equity instruments in order to settle, in full or in part, a financial liability. The interpretation does not have any effect on Group's financial performance.

2.3 Basis of consolidation

As at 31 December 2009, the consolidated financial statements include the financial results of Türk Telekom, TTNet, Avea, Innova, Argela, AssisTT, Sebit, Argela - USA Inc, IVEA, Sebit LLC and Sobee. Control is normally evidenced when the Company owns, either directly or indirectly, more than 50% of the voting rights of a subsidiary's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The results of subsidiaries acquired during the year are included in the consolidated statements of income from the effective date of acquisition as appropriate.

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

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

Minority interest in the net assets of consolidated subsidiaries is identified separately from the Group's equity therein. Minority interest consists of the amount of those interests at the date of the original acquisition and the minority's share of changes in equity since the date of the acquisition. As at 31 December 2009, the minority interest in TTNet, Innova, Argela, AssisTT, Sebit, Argela USA Inc., IVEA, Sebit LLC and Sobee have not been presented separately in the consolidated financial statements due to their immateriality.

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

3. Valuation basis and Significant accounting policies applied

Business combinations

The new companies/subsidiaries of the Group acquired from third parties have been accounted for using the purchase method of accounting in the scope of IFRS 3. 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. Assets, liabilities and contingent liabilities that are determined in the scope of IFRS 3 are recognized at fair values at the acquisition dates.

On 12 March 2009, the Company acquired the shares of Sobee and this transaction has been accounted using the purchase method of accounting as at 31 December 2009. Assets, liabilities and contingent liabilities acquired in the transaction have been accounted on their fair values as at the transaction date.

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 acquire. 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

As of 31 December 2009 and 2008, the Group accounted its 20% shareholding in Cetel as financial investments in the consolidated financial statements. As of 31 December 2009 and 2008, Cetel is carried at cost after discounting impairment, if any, since financial information for equity accounting is not achieved on a timely basis due to the lack of significant influence.

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

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

Property, plant and equipment

Property, plant and equipment ("PPE") of the Group is carried at cost less accumulated depreciation and any accumulated impairment losses. The Group elected to measure property, plant and equipment of the Company on a deemed cost basis in the first period of application of IAS 29 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 deemed cost values as at 1 January 2000 for land and buildings were appraised by three CMB licensed real-estate valuation companies in 2006 on a retrospective basis. The network equipment and vehicles values as at 31 December 1999 were appraised by Detecon International GmbH (a subsidiary of Deutche Telecom AG). Other than the PPE for which cost was determined on a deemed cost basis, the cost of PPE generally comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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. The Group recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if the recognition criteria are met.

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

The useful lives for PPE are as follows (considering the Concession Agreement, useful lives of the acquisitions in 2009 by the Company are limited to 17 years):

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

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

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. Valuation basis and Significant accounting policies applied (continued)

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 16, 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 1 January 2000 market values were conducted by three CMB licensed independent real-estate appraisers 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 belonging to the Group is 21 years (considering the Concession Agreement, 2009 acquisitions' useful lives are limited to 17 years).

Assets held for sale

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

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

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

Assets held for sale (continued)

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

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

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 infinite. The Group does not have any intangibles with infinite useful lives. Intangible assets with finite lives are amortized on a straight line basis over 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 intangible items are limited to the concession periods (considering the Concession Agreement, 2009 acquisitions' useful lives are limited to 17 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.

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

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

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

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

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

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

Inventories

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

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

Financial instruments

Financial assets 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, below conditions 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.

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

Cash and cash equivalents

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

Trade and other receivables and allowances for doubtful receivables

Trade receivables, which generally have 30 day terms, are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. Subsequent to initial recognition, trade receivables are 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.

Financial borrowings

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

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

Derivative financial instruments

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

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

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

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

Derivative financial instruments (continued)

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company assesses the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. 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.

Cash flow hedges

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

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

Amounts taken to the consolidated comprehensive income statement are transferred to the 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 comprehensive income statement 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 comprehensive income statement are transferred to consolidated income statement.

Equity instruments

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

Derecognition of financial assets and liabilities

Financial assets

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

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

Derecognition of financial assets and liabilities (continued)

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

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated 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 amortized cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized in the consolidated 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 recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income.

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

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

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;
(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.

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

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).

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

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

The Company and the other consolidated subsidiaries have reflected their deferred tax asset and liabilities by netting their individual balances; however, there is netting on a consolidation basis. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to consolidated statement of income, except when it relates to items charged or credited directly to the equity in which case the deferred tax is also dealt within the equity.

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

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

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.

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.

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

Revenue recognition (continued)

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 in the consolidated financial statements. 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 recognized as operating expense.

Borrowing costs

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

Other income

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

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

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

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 Liability – On valuing the minority put option liability;* 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 at 1 January 2011.

c) Critical judgments of the Group in relation with IFRIC 12 are explained in "significant accounting judgments and changes in use of estimates" under IFRIC 12 section.

Key sources of estimation uncertainty

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

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

b) The Group has estimated the fair value of the minority put option liability 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 at 31 December 2010 is then discounted back to 31 December 2009.

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

Significant accounting judgments and changes in use of estimates

a) The uncertainties encountered by the Group applying the accounting policies for the year ended 31 December 2009 do not differ with the sources of uncertainties existing as at 31 December 2008 except for the estimates used in the application of IFRIC 12 and the estimates used in the calculation of minority put caption liability. The estimates used by the Company in the application of IFRIC 12 are as follows:

   i) As of 31 December 2009, the Company considers that approximately 30% of the foreseen network investments related with the replacement of the network equipments that are reclassified to intangible assets at 1 January 2007 and then are recorded to financial statements as intangible assets, are the contractual replacements as required by the concession agreement. The Group has provided provision amounting to TRY 7.139 (Note 23) in the consolidated financial statements for the foreseen contractual replacements in the future. Aforementioned provision is the present value as at 31 December 2009 of the contractual replacement expenses that will be realized in the future. Discount rate used in provision calculation is determined as 16%.

   ii) In accordance with IFRIC 12, the Company has determined the cost of the investments in intangible assets recognized under the scope of IFRIC 12 by adding the profit margin, which is applied in the market for similar construction services, to the cost of acquiring the related network equipment. The estimated profit margin used in construction services provided in exchange for concession right is 13% for the year ended 31 December 2009. The profit margin of property, plant and equipment accounted within the scope of IFRIC 12 amounting to TRY 123.305 (2008 – 100.382) (Note 12) is TRY 14.186 for the year ended 31 December 2009 (2008 – TRY 11.548).

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. In previous years, 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. 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 TRY 245.000 as at 31 December 2007. As at 31 December 2009, the Group has re-assessed its tax loss carry forwards concluded that there is no material change in the deferred tax asset recognized in the consolidated financial statements. The Group has not considered other temporary differences in deferred tax assessment of Avea as the management expects those other temporary differences (e.g. arising from the impairment of the license) to be reversed.

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

d) There are other estimations made by the management during the determination of useful lives, provisions for litigation cases (Note 23) and allowances for doubtful receivables (Note 8).

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

5. Segment reporting

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

The segment results, balance sheet items and the cash flows are presented below:

	Fixed line		**GSM**		**Eliminations**		**Consolidated**	
	1 January – 31 December 2009	1 January – 31 December 2008	**1 January – 31 December 2009**	1 January – 31 December 2008	**1 January – 31 December 2009**	1 January – 31 December 2008	**1 January – 31 December 2009**	1 January – 31 December 2008
Revenue								
Domestic PSTN	**4.580.892**	5.217.785	**-**	-	**-**	-	**4.580.892**	5.217.785
ADSL	**2.140.167**	1.669.572	**-**	-	**-**	-	**2.140.167**	1.669.572
GSM	**-**	-	**2.504.083**	2.113.118	**-**	-	**2.504.083**	2.113.118
IFRIC 12 revenue	**123.305**	100.382	**-**	-	**-**	-	**123.305**	100.382
Data service revenue	**302.134**	239.112	**-**	-	**-**	-	**302.134**	239.112
International sales	**193.951**	216.278	**-**	-	**-**	-	**193.951**	216.278
Interconnection revenue	**244.210**	171.683	**-**	-	**-**	-	**244.210**	171.683
Leased lines	**578.567**	556.070	**-**	-	**-**	-	**578.567**	556.070
Rent income from GSM operators	**115.429**	114.130	**-**	-	**-**	-	**115.429**	114.130
Other	**109.983**	34.197	**-**	-	**-**	-	**109.983**	34.197
Discounts / returns	**(2.187)**	(462)	**-**	-	**-**	-	**(2.187)**	(462)
Eliminations	**-**	-	**-**	-	**(322.073)**	(236.918)	**(322.073)**	(236.918)
Total revenue	**8.386.451**	8.318.747	**2.504.083**	2.113.118	**(322.073)**	(236.918)	**10.568.461**	10.194.947
Cost of sales and operating expenses (excluding depreciation and amortization)	**4.507.692**	4.676.433	**2.437.247**	1.670.277	**(322.073)**	(236.918)	**6.622.866**	6.109.792
Depreciation and amortization	**980.018**	1.131.151	**577.400**	500.616	**-**	-	**1.557.418**	1.631.767
Doubtful receivable provision expense	**268.254**	214.916	**94.293**	44.582	**-**	-	**362.547**	259.498
Capital expenditure	**1.326.614**	1.291.132	**1.154.503**	465.043	**(10.925)**	-	**2.470.192**	1.756.175

As of 31 December 2009, earnings before Interest, Tax, Depreciation and Amortization ("EBITDA"), which is calculated by adding depreciation, amortization and provision for tangible and intangible assets, to operating profit is TRY 4.196.176 for fixed line business, (2008 – TRY 3.894.373); TRY 54.084 for GSM business (2008 – TRY 446.020) and TRY 4.249.142 for the consolidated totals (2008 – TRY 4.341.590).

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

5. Segment reporting (continued)

31 December 2009

	Fixed Line	**GSM**	**Eliminations**	**Total**
Total segment assets	**11.061.499(*)**	**4.907.831 (**)**	**(2.567.968)**	**13.401.362**
Total segment liabilities	**(5.405.444)**	**(4.587.377)**	**2.013.425 (***)**	**(7.979.396)**

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)

(*) Includes goodwill amounting to TRY 19.477 (2008 – TRY 19.040).
(**) Includes goodwill amounting to TRY 29.695 (2008 – TRY 29.695).
(***) Includes minority put option liability amounting to TRY 543.103 (2008 – TRY 586.439).

6. Cash and cash equivalents

	31 December 2009	31 December 2008
Cash on hand	**964**	1.305
Cash at banks – Demand deposits	**276.441**	246.452
Cash at banks – Time deposits	**476.168**	793.776
Other	**120**	449
	753.693	1.041.982

Time deposits are all short-term, maturing within one month and denominated in both foreign currencies and TRY. The effective interest rates are between 4,00% - 10,80% for TRY deposits, between 0,17% - 1,50% for USD deposits and 0,29% for Euro deposits. (2008 – 12,50% - 23,00% for TRY deposits, 0,15% - 8,00% for USD deposits and 2,21% - 7,50% for Euro deposits).

As of 31 December 2009, TRY 189.404 (2008 - TRY 258.092) 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 income statement as per agreement between parties (Note 12). These time deposits are restricted and can only be used for payments related to TAFICS projects.

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

6. Cash and cash equivalents (continued)

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

	31 December 2009	31 December 2008
Cash and cash equivalents	**753.693**	1.041.982
- TAFICS projects	**(189.404)**	(258.092)
- Collection protocols	**(236.245)**	(155.794)
- ATM collection	**(3.469)**	(3.722)
- Other	**(6.894)**	(8.265)
	317.681	616.109

As of 31 December 2009, a demand deposit amounting to TRY 236.245 (2008 - TRY 155.794) 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.

Within the context of the Bank Account Pledge Agreement signed by Avea, Avea provided an account pledge over all of its bank accounts (amounting to TRY 337.947 at 31 December 2009; TRY 2008 – 550.480) in favor 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 (Note 7).

Out of TRY 753.693, cash and cash equivalents amounting to TRY 338.053 (2008 – TRY 550.576) belongs to Avea.

7. Financial liabilities

Bank borrowings

	31 December 2009			31 December 2008		
	Weighted average effective interest rate%	Original amount	TRY equivalent	Weighted average effective interest rate%	Original Amount	TRY equivalent
Short-term financial liabilities:						
TRY financial liabilities	**7,54%**	**1.571.182**	**1.571.182**	22,80%	738.281	738.281
USD financial liabilities with variable interest rates	**3,23%**	**70.000**	**105.399**	4,52%	185.000	279.776
Interest accruals:						
TRY financial liabilities with fixed interest rates		**22.087**	**22.087**		17.034	17.034
USD financial liabilities with fixed interest rates		**140**	**211**			
USD financial liabilities with variable interest rates		**5.705**	**8.590**		25.563	38.659
EUR financial liabilities with variable interest rates		**389**	**840**		1.532	3.279
Short-term portion of long-term financial liabilities:						
USD financial liabilities with fixed interest rates	**2,90%**	**12.994**	**19.565**	-	-	-
USD financial liabilities with variable interest rates (*)	**3,14%**	**168.523**	**253.745**	6,23%	129.069	195.190
EUR financial liabilities with variable interest rates (**)	**4,44%**	**80.183**	**173.219**	7,84%	6.240	13.359
Total short-term liabilities			**2.154.838**			1.285.578
Long-term borrowings:						
USD financial liabilities with fixed interest rates	**2,90%**	**80.038**	**120.513**	-	-	-
USD financial liabilities with variable interest rates (*)	**3,14%**	**632.005**	**951.610**	6,23%	1.304.882	1.973.373
EUR financial liabilities with variable interest rates (**)	**4,44%**	**326.430**	**705.186**	7,84%	69.848	149.531
Total long-term liabilities			**1.777.309**			2.122.904

(*) Libor + (varies between 2,15 – 3,75) spread
(**) Eurolibor + (varies between 1,20 – 3,75) spread

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

7. Bank borrowings (continued)

As at 31 December 2009, the fair value of the bank borrowings is TRY 3.953.298 (2008 – TRY 3.403.356). Avea's total borrowings included in the consolidated financial statements amounts to TRY 1.141.454 (2008 – TRY 2.369.672).

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

	31 December 2009				31 December 2008			
	Up to 3 months	**3 months to 1 year**	**1year to 5 years**	**Total**	Up to 3 months	3 months to 1 year	1year to 5 years	Total
TRY financial liabilities with fixed interest rates	**1.593.269**	**-**	**-**	**1.593.269**	755.315	-	-	755.315
USD financial liabilities with fixed interest rates	**466**	**19.310**	**120.513**	**140.289**	-	-	-	-
USD financial liabilities with variable interest rates	**119.414**	**248.320**	**951.610**	**1.319.344**	133.498	380.128	1.973.372	2.486.998
EUR financial liabilities with variable interest rates	**7.580**	**166.479**	**705.186**	**879.245**	9.958	6.679	149.532	166.169
	1.720.729	**434.109**	**1.777.309**	**3.932.147**	898.771	386.807	2.122.904	3.408.482

The re-pricing or the earlier contractual maturities of foreign currency and TRY denominated bank borrowings are as follows:

	31 December 2009					31 December 2008				
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**5 year to 10 years**	**Total**	Up to 3 months	3 months to 1 year	1 year to 5 years	5 year to 10 years	Total
TRY financial liabilities with fixed interest rates	**1.593.269**	**-**	**-**	**-**	**1.593.269**	755.315	-	-	-	755.315
USD financial liabilities with fixed interest rates	**466**	**19.310**	**67.754**	**52.759**	**140.289**	-	-	-	-	-
USD financial liabilities with variable interest rates	**1.053.464**	**265.880**	**-**	**-**	**1.319.344**	2.204.466	282.532	-	-	2.486.998
EUR financial liabilities with variable interest rates	**80.553**	**798.692**	**-**	**-**	**879.245**	166.169	-	-	-	166.169
	2.727.752	**1.083.882**	**67.754**	**52.759**	**3.932.147**	3.125.950	282.532	-	-	3.408.482

In 2007, Avea has restructured its short-term borrowings through a long-term MTPF financing. Through the MTPF, Avea has extended the maturities of its borrowings up to 8 to 9 years and Türk Telekom has provided certain guarantees for MTPF borrowing.

The following borrowings are secured by a security package as at 31 December 2009 and December 31 2008:

	31 December 2009			31 December 2008		
	USD	**EURO**	**TRY equivalent**	USD	EURO	TRY equivalent
Borrowings secured by security package	**701.490**	**37.228**	**1.136.658**	1.451.856	76.440	2.359.285

7. Financial liabilities (continued)

Before the merge of the Avea's former subsidiary of Aycell Haberleşme ve Pazarlama Hizmetleri A.Ş. ("Aycell") with Aria İletişim Hizmetleri A.Ş. ("Aria", former subsidiary of İş-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 favor of the Security Agent acting on behalf of the Senior Secured Creditors of Avea. In 2004, subsequent to merger of Aria and Aycell, the security package was revised. Accordingly, the revised security package consists of:

- Commercial Enterprise Pledge on all movable fixed assets of commercial enterprise of İş-TIM and the trade name of Avea, (excluding the movable fixed assets of commercial enterprise of Aycell). The Commercial Enterprise Pledge secures the Senior Secured Financial Indebtedness of Avea up to a maximum amount of TRY 1.000.000 (equivalent to USD 664.143 as at 31 December 2009). At 31 December 2009, the total Senior Secured Financial Indebtedness of Avea amounts to approximately TRY 1.136.658 (31 December 2008 - TRY 2.359.285).
- Account pledges on all the bank accounts of Avea, which do not restrict operational usage of the accounts in the normal course of business (31 December 2009 - TRY 337.947; 2008- TRY 550.480) (Note 6).
- Mortgage on the building of AVEA in Ümraniye amounting up to USD 40.600 in favor of the Security Agent.
- Assignment of Receivables: The material contracts entered into by Avea that results in a revenue or cost to Avea over USD 20.000 per annum are assigned as security in favor of the Lenders as part of Security Package. In case of an event of default, Avea counterparties under material contracts will perform any of their obligations towards Lenders in the same conditions as they were valid to Avea during the normal course of business.

In accordance with Amendment Agreement signed between Avea and the lenders on 25 June 2009, financial covenants (ratios) which were under Avea's responsibilities due to its borrowing, has been abolished effective from 30 June 2009 upon the early payment of Avea amounting to USD 621.297 and EUR 32.972 as at 28 September 2009. Such early payment has been financed by long term shareholder loan financed by Türk Telekom. As at 31 December 2009, financial covenants of Türk Telekom are as follows;

1. Financial covenants (ratios):

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

b) Türk Telekom consolidated net debt to Türk Telekom consolidated EBITDA Ratio should be 2,00 at maximum.

7. Financial liabilities (continued)

2. General undertakings, among others, are:

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

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

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

The Group has maintained the financial and general undertakings mentioned above as at 31 December 2009.

Other than these undertakings, the Group has financial and general undertakings to be maintained due to its other borrowings. The Company meets these covenants as at 31 December 2009 which were maintained as at 31 December 2009.

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

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

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

c) Pledging shares it owns in Avea,

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

e) Company also provides extra support on demand of Avea due to operational or financial shortage amounting to USD 450.000. (the support has been wholly used as at 31 December 2009)

f) Türk Telekom provides support amounting to EURO 214.000 for financing of 3rd Generation (3G) licence fee. (the support has been wholly used as at 31 December 2009)

g) Türk Telekom provides support amounting to USD 250.000 for financing acquisition of assets under Ericsson 2nd Generation (2G) and 3rd Generation (3G) contract. (USD 108.707 has been utilized as at 31 December 2009)

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

8. Trade receivables and payables

a) Trade receivables

	31 December 2009	31 December 2008
Short-term		
Trade receivables	**2.594.579**	2.341.608
Other trade receivables	**30.252**	42.296
Allowance for doubtful receivables (-)	**(1.228.656)**	(1.058.918)
Total short-term trade receivables	**1.396.175**	1.324.986

Trade receivables generally have 30 day terms (2008 – 30 days).

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

	1 January - 31 December 2009	1 January - 31 December 2008
At January 1	**(1.058.918)**	(890.069)
Provision for the year	**(359.489)**	(252.452)
Reversal of provision - collections (Note 31)	**179.862**	80.513
Utilization of provision - Write off doubtful receivables	**9.889**	3.090
At 31 December	**(1.228.656)**	(1.058.918)

As of 31 December 2009 and 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 2009	**1.396.175**	**880.925**	**254.961**	**113.149**	**68.291**	**30.856**	**47.993**
31 December 2008	1.324.986	871.988	257.321	105.129	52.375	8.060	30.113

b) Trade payables

	31 December 2009	31 December 2008
Short- term		
Trade payables	**855.047**	881.130
Notes payable	**3.011**	61
Other trade payables	**-**	128
	858.058	881.319

Trade payables amounting to TRY 2.773 as at 31 December 2009 (2008 - TRY 1.244) represent payable to suppliers due to TAFICS projects (Notes 6 and 12).

The average term of trade payables is between 30 and 90 days (2008 – 30 and 90 days).

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

9. Obligations under finance and operational leases and finance lease receivables

The Group has no financial lease receivables as at 31 December 2009 and 2008.

Finance lease obligations, Avea has entered into for acquisition of network equipment and a building are as follows:

	31 December 2009	31 December 2008
Within one year	**5.446**	5.233
Between one to two years	**5.592**	5.068
Between two to five years	**18.607**	17.330
Later than five years	**12.284**	19.129
	41.929	46.760

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

	31 December 2009	31 December 2008
Within one year	**7.509**	8.416
Between one to two years	**7.372**	7.618
Between two to five years	**22.116**	22.854
Later than five years	**12.926**	20.895
Less: Future finance charges	**(7.994)**	(13.023)
Present value of finance lease liabilities	**41.929**	46.760

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 was made to the agreement requiring the Company to pay TRY 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 a transaction between the related parties, it has been reflected on a net cash basis in the consolidated financial statements, instead of grossed up fair value (Note 10).

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

a)

	31 December 2009 (*)	31 December 2008 (*)
Within one year	**35.000**	35.000
In the second to fifth years (inclusive)	**140.000**	140.000
After fifth year (*)	**1.085.000**	1.120.000
	1.260.000	1.295.000

(*) Future escalations have not been considered.

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9. Obligations under finance leases and finance lease receivables – net (continued)

b) The Company has operating lease agreements with respect to leased lines. The revenue from leased lines for the year ended 31 December 2009 is TRY 436.759 (2008 – TRY 451.549).

Avea entered into operating lease agreements with respect to base stations and leased lines. Total operating lease expense for the year ended 31 December 2009 amounts to TRY 225.326 (2008 – TRY 178.411).

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

	31 December 2009	31 December 2008
Within one year	**81.977**	56.578
Between one to two years	**47.772**	40.299
Between two to five years	**69.970**	60.486
Later than five years	**25.607**	21.048
	225.326	178.411

10. Due from/Due to related parties

All intra-group transactions and balances including intra-group unrealized 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. Institutions under state control are defined as related parties due to 30% ownership and the golden share of the Treasury.

Details of balances and transactions between the Group and other related parties as at 31 December 2009 and 2008 are disclosed below:

	31 December 2009	31 December 2008
Amounts owed by related parties		
State controlled entities	**80.122**	84.747
Cell-C Ltd. (1)	**2**	96
PTT	**3.051**	4.303
Saudi Telecom Company ("STC") (3)	**7.050**	3.702
Other	**767**	96
	90.922	92.944
Amounts owed to related parties (current liabilities)		
State controlled entities	**18.811**	14.288
Oger Telecom Yönetim Hizmetleri Limited Şirketi ("OTMSC") (2)	**3.558**	4.457
PTT	**1.063**	1.973
Other	**388**	799
	23.820	21.517

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10. Related party balances and transactions (continued)

	31 December 2009	31 December 2008
Amounts owed to related parties (non-current liabilities)		
State controlled entities	**-**	336
	-	336

(1) a subsidiary of Oger Telecom
(2) an affiliate of Oger Telecom
(3) shareholder of Oger Telecom

Transactions with shareholders:

Dividend transactions with the Treasury during 2009 comprises dividend payment amounting to TRY 379.990 (2008 - TRY 1.049.429). Dividend transactions with OTAŞ in 2009 comprises dividend payments amounting to TRY 819.586 (2008 - TRY 1.508.983).

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 2009 the Treasury share is TRY 35.444 (2008 – TRY 29.238).

Transactions with other related parties:

Postage services rendered in 2009 by PTT to the Group amounted to TRY 110.869 (2008 - TRY 160.858) while commission for collection of invoices and other services in 2009 amounted to TRY 30.015 (2008 - TRY 34.863).

Operational lease payment made to PTT by the Company in 2009 as part of the lease agreement (Note 9) amounts to TRY 35.000 (2008 – TRY 35.000).

Compensation of key management personnel

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

	31 December 2009	31 December 2008
Short-term benefits	**29.278**	25.172
Long-term defined benefit plans	**652**	603
	29.930	25.775

10. Related party balances and transactions (continued)

Furthermore, OTMSC charged to the Company a management fee amounting to TRY 18.103 and an expense fee for an amount of TRY 1.763 for the year ended 31 December 2009 (2008 – TRY 25.943 and TRY 307), based on the contract between OTMSC and the Company. OTMSC's ultimate shareholder is Saudi Oger. The contract has been renewed on 20 October 2009 for an annual charge of USD 8.500 for the three years.

Guarantees provided to related parties:

The Company supports the long term financing of Avea as explained in Note 7.

The guarantees given for financing Cetel amounts to EUR 8.000.

11. Minority put option liability

On 15 September 2006, the Company, İş Bank Group and other Avea shareholders signed an "Amendment Agreement" to the "Shareholder Agreement" and the "IPO and Put Agreement" originally dated 2004. 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 fair value of the minority put option as at 31 December 2009 and 2008 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 at 31 December 2010 is then discounted back to 31 December 2009 and 2008. The fair value of the put option liability as at 31 December 2009 amounts to TRY 543.103 (2008 – TRY 586.439).

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

11. Minority put option liability (continued)

In order to reflect the minority put option in the consolidated financial statements, the minority interest as at 31 December 2009, amounting to TRY 54.354 (2008 – TRY 199.720), has been reclassified from equity to ' "minority put option liability" under long-term liabilities after appropriation of profit / loss to the minority interest for the year. The fair value of minority put option liability, has been determined as TRY 543.103 (2008 - TRY 586.439), and the difference of TRY 488.749 (2008 - TRY 386.719) 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 2009	31 December 2008
Other current assets	**32.662**	52.458
Deposits and guarantees given	**647**	14.730
Other doubtful receivables	**24.891**	21.833
Allowance for other doubtful receivables (-)	**(24.891)**	(21.833)
	33.309	67.188

Other current liabilities

	31 December 2009	31 December 2008
Due to personnel	**23.624**	30.800
Taxes and duties payable	**221.436**	247.035
Advances received (3)	**205.061**	273.853
Social security premiums payable	**19.306**	22.105
Expense accruals	**202.690**	121.602
Accrual for capital expenditures (4)	**162.072**	26.993
Accrual for contribution to be paid to the ICTA	**49.348**	45.564
Accrual for the Treasury Share	**35.444**	29.238
Accrual for Universal Service Fund (1)	**97.364**	94.133
Deferred revenue (2)	**102.752**	103.571
Other payables	**6.373**	4.896
	1.125.470	999.790

1) According to the law numbered 5369 published on 16 June 2005, Türk Telekom and TTNet will contribute 1% of their net revenues of each year to the Ministry of Transportation as Universal Service Fund. The contribution is payable by the end of April of the following year.
2) Deferred revenue is composed of the invoiced but unconsumed minutes sales value.
3) The Company acts as an intermediary of Ministry of Defence and North Atlantic Treaty Organization (NATO) projects by transferring advances received to the contractors and supports the management of the projects. Expenditures arising from the projects are deducted from the advances received at the date of the expenditure. Advances not used are held as time deposits and the interest earned is credited to the advances received in accordance with the agreement between the parties (Note 6).
4) Capital expenditure accruals represent the unreceived invoices for the fixed asset purchases that have been received within the agreement.

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12. Other receivables and liabilities (continued)

Other non-current liabilities

The Group has non-current liabilities amounting to TRY 6.485 as at 31 December 2009 (2008: TRY 9.558).

13. Inventories

The Group has an inventory balance of TRY 62.920 as at 31 December 2009 (2008- TRY 49.080). Major part of this balance is composed of modems, dect phones, cable box and consumables such as linkage block and SIM cards.

14. Deferred tax assets and liabilities

Deferred tax

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

The Group perpetually reassesses unrecognized deferred tax assets and decided to account for deferred tax assets (resulting from Avea) arising from the tax losses carried forward based on the estimated taxable profits according to Avea's business plan. As of 31 December 2009 and 2008, the deferred tax asset recognized for Avea's tax losses amounted to TRY 245.000.

As of 31 December 2009, Avea's deductable tax losses that will be utilized upon the existence of a tax base and the expiration dates are as follows:

Expiration years	31 December 2009
2010	988.334
2011	1.081.447
2012	812.643
2013	368.950
2014	482.259
	3.733.633

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14. Deferred tax assets and liabilities (continued)

For the calculation of deferred tax asset and liability, a rate of 20% was used as at 31 December 2009 and 2008.

Deferred tax liability	**Base for deferred tax calculation 31 December 2009**	**Deferred tax assets / (liabilities) 31 December 2009**	Base for deferred tax calculation 31 December 2008	Deferred tax assets / (liabilities) 31 December 2008
Temporary differences on property, plant and equipment	**(2.377.025)**	**(475.405)**	(2.802.105)	(560.421)
Income accruals	**(71.505)**	**(14.301)**	(80.050)	(16.010)
Other	**(525)**	**(105)**	(230)	(46)
	(2.449.055)	**(489.811)**	(2.882.385)	(576.477)
Deferred tax asset recognized from tax losses carried forward	**1.225.000**	**245.000**	1.352.035	270.407
Provision for long-term employee benefits	**629.270**	**125.854**	664.170	132.834
Provision for unused vacation	**93.080**	**18.616**	85.945	17.189
Expense accruals	**117.125**	**23.425**	21.460	4.292
Provision for doubtful receivables	**160.655**	**32.131**	269.960	53.992
Universal service fund and other contributions	**128.465**	**25.693**	121.205	24.241
Other	**57.895**	**11.579**	39.565	7.912
	2.411.490	**482.298**	2.554.340	510.867
Deferred tax liability, net		**(7.513)**		(65.610)
Deferred tax asset, net		**245.125**		272.894
Deferred tax liability, net		**(252.638)**		(338.504)

Deferred tax income / (expenses)	**1 January - 31 December 2009**	1 January - 31 December 2008
Temporary differences of property, plant and equipment	**85.016**	149.154
Tax losses carried forward	**(25.407)**	25.407
Provision for long-term employee benefits	**(6.980)**	(59.888)
Provision for unused vacation	**1.427**	(2.984)
Income accruals	**1.709**	(6.592)
Expense accruals	**19.133**	1.453
Provision for doubtful receivables	**(21.861)**	19.415
Universal service fund and other contributions	**1.452**	3.929
Other	**3.608**	5.060
Deferred tax income (Note 33)	**58.097**	134.954

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14. Deferred tax assets and liabilities (continued)

Deferred tax (continued)

Movement of deferred tax liability	**31 December 2009**	31 December 2008
Opening balance, 1 January	**(338.504)**	(445.564)
Reflected to period profit or loss	**85.866**	107.060
Closing balance, 31 December	**(252.638)**	(338.504)

Movement of deferred tax asset	**31 December 2009**	31 December 2008
Opening balance, 1 January	**272.894**	245.000
Reflected to period profit or loss	**(27.769)**	27.894
Closing balance, 31 December	**245.125**	272.894

	31 December 2009	31 December 2008
Reflected to period profit or loss		
- Deferred tax liability expense	**85.866**	107.060
- Deferred tax asset income	**(27.769)**	27.894
Deferred tax income (Note 33)	**58.097**	134.954

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

15. Other current / non-current assets

	31 December 2009	31 December 2008
Prepaid rent expense	**59.761**	49.073
VAT and SCT receivable	**91.127**	97.254
Other prepaid expenses	**162.164**	137.300
Income accrual	**151.351**	96.663
Other current assets	**43.107**	33.857
	507.510	414.147

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

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

Other non-current assets

	31 December 2009	31 December 2008
Prepaid insurance expense	**26.832**	-
Prepaid rent expense	**6.023**	518
Other	**10.326**	4.157
	43.181	4.675

16. Financial investments

Cetel

	31 December 2009	31 December 2008
Balance at 1 January	**11.840**	11.200
Contribution to share capital increase	**-**	640
Balance at 31 December	**11.840**	11.840

As of 31 December 2009 and 2008, due to the lack of significant influence, financial information for equity accounting cannot be achieved and as a result Cetel is carried at cost.

17. Other financial investments and other financial liabilities

Cash flow hedges

Interest rate swaps

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

As of 28 September 2009, Avea has entered into restructuring interest hedging transaction for the critical term match of the early payment as at 30 September 2009 which has replaced the current interest hedging transaction.

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

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

As of 31 December 2009, notional amount that will be due till 30 September 2013 amounts to USD 701.491 and EUR 37.228.

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

As of 31 December 2009, fair value of interest rate swap transactions amount to TRY 106.233 (31 December 2008 – TRY 209.515). As of 31 December 2009, loss on unrealized interest rate swap has been recognized under equity reserves. For the period ended 31 December 2009, realized interest rate swap loss amounting to TRY 105.264 (2008 – TRY 15.370) has been classified to consolidated income statement.

Option contracts

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

Avea has not designated option contracts for hedge accounting. Accordingly, at 31 December 2009 fair value loss amounting to TRY 781 has been included in the consolidated income statement.

18. Goodwill

The movement of goodwill is as follows:

	1 January - 31 December 2009	1 January - 31 December 2008
Opening balance, 1 January (related to Avea)	**29.695**	29.695
Acquisition of Argela	**7.943**	7.943
Acquisition of Innova	**11.097**	11.097
Acquisition of Sobee	**437**	-
Acquisition of Sebit (*)	**-**	-
Carrying amount at 31 December	**49.172**	48.735

(*) Negative goodwill amounting to TRY 3.967 from Sebit acquisition has been recognized in the consolidated income statement.

18. Goodwill (continued)

Avea acquisition and Goodwill related to Avea

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. 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 at 15 September 2006 for the purpose of the purchase price allocation. The result of the re-measurement amounting to TRY 294.065 has been reflected as "Difference arising from acquisition of subsidiary" in equity .

The goodwill impairment test has been performed as at 31 December 2009, based on the value in use study. 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 TRY 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 December 2009 covering a ten-year plan. Future cash flows have been in TRY 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 USD denominated cash flows were 12,3 % while a discount rate of 15% was used for the TRY denominated cash flows. Cash flow beyond the ten years are extrapolated using a 3,4% growth rate for TRY 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 TRY and USD denominated cash flow projections and growth rate of -/+ 1% for TRY 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.

Goodwill for Innova and Argela

The goodwill impairment tests of Innova and Argela as at 31 December 2009 have been performed based on the enterprise values of Innova and Argela. Since the capital expenditures and income and expenses in the business plan are US Dollars denominated, the estimated value of the projected cash flows consists of the discounted cash flows denominated in US Dollars until 2013. The valuation has been tested with a WACC rate of 19,4% and 17,1% Innova and Argela, respectively with sensitivity of -/+ 1%. For the WACC calculation, technology companies have been taken as a benchmark for the calculation of the beta coefficient and the 5 year weighted average index of MSCI (Morgan Stanley Capital International) has been used. As a result o the impairment test, no impairment, is noted for the goodwill arising from the acquisition of Argela and Innova.

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18. Goodwill (continued)

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 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	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 at 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 amounting to TRY 3.967 resulting from the acquisition has been reflected in the consolidated statement of income.

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18. Goodwill (continued)

Sobee acquisition

On 12 March 2009, the Company acquired 99,99% of the issued share capital of Sobee for a consideration of USD 200, all paid in cash. The net assets acquired in the transaction and the goodwill arising, are as follows:

Net assets acquired	Fair value
Cash and cash equivalents	1
Trade receivables	13
Other current assets	17
Property, plant and equipment	71
Intangible assets	1
Trade payables	(17)
Other payables, expense accruals and provisions	(191)
	(105)
Acquired net assets (99,99%)	(105)
Negative goodwill reflected in consolidated statement of income	437
Total consideration	**332**
Net cash outflow arising on acquisition	
Cash consideration paid	(332)
Cash and cash equivalents acquired	1
	(331)

The fair values of PPE and intangible assets have been assessed by Analysys Consulting Limited and Grant Thornton GmbH. The acquisition accounting has been finalized as at 31 December 2009 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.

19. Assets held for sale

	1 January 2009	**Additions**	**Transfers**	**Disposal**	**31 December 2009**
Assets held for sale	**7.360**	**-**	**(7.360)**	**-**	**-**
	1 January 2008	Additions	Transfers	Disposal	31 December 2008
Assets held for sale	7.601	-	-	(241)	7.360

In 2009, Avea reviewed the sale probability of the base station equipments which have been classified as asset held for sale under IFRS 5 in prior periods within 2009. In 2009, TRY 5.630 depreciation expense of those assets has been reflected in the consolidated financial statements and these assets have been re-classified in tangible assets with carrying amount of TRY 1.730.

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

20. Investment property

The movement of investment property and the related accumulated depreciation for the years ended 31 December 2009 and 2008 is given below:

	1 January - 31 December 2009	1 January - 31 December 2008
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	**74.327**	57.690
Depreciation charge for the year	**16.632**	16.637
Impairment	**3.021**	-
Closing balance, 31 December	**93.980**	74.327
Carrying amount at 31 December	**291.001**	310.654

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 had determined by certified independent appraisers as TRY 582.190 at 31 December 2005. For every year end, the Group has compared fair values and carrying values of the investment properties on an individual asset basis and has recorded identified impairment of the investment properties. As a result, an impairment of TRY 7.729 has been reflected in the financial statements prior to 1 January 2006. In 2009, the management has analyzed whether there is any circumstance for the impairment of these assets and additional TRY 3.021 impairment included in consolidated income statement in 2009.

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

21. Property, plant and equipment (PPE)

The movement of PPE and the related accumulated depreciation for the years ended 31 December 2009 and 2008 is given below:

	Land and buildings	Network and other equipment	Vehicles	Furniture and fixtures	Other fixed assets	Construction in progress	Total
Cost							
Opening balance, 1 January 2009	**1.520.363**	**33.629.202**	**148.225**	**180.510**	**167.129**	**197.541**	**35.842.970**
Transfers	**52.532**	**(34.536)**	**976**	**3.934**	**49.491**	**(37.060)**	**35.337**
Additions	**87.871**	**1.180.641**	**4.720**	**60.461**	**17.475**	**272.599**	**1.623.767**
Disposals	**(1.381)**	**(213.494)**	**(2.164)**	**(8.414)**	**(822)**		**(226.275)**
Closing balance, 31 December 2009	**1.659.385**	**34.561.813**	**151.757**	**236.491**	**233.273**	**433.080**	**37.275.799**
Accumulated depreciation							
Opening balance, 1 January 2009	**444.333**	**28.747.330**	**130.849**	**120.397**	**122.936**	**-**	**29.565.845**
Disposals	**(46)**	**(182.353)**	**(2.003)**	**(5.941)**	**(437)**	**-**	**(190.780)**
Depreciation charge for the year	**63.788**	**1.115.265**	**4.459**	**23.145**	**21.997**	**-**	**1.228.654**
Transfers	**-**	**(6.557)**	**521**	**4.511**	**44.277**	**-**	**42.752**
Closing balance, 31 December 2009	**508.075**	**29.673.685**	**133.826**	**142.112**	**188.773**	**-**	**30.646.471**
Carrying amount at 31 December 2009	**1.151.310**	**4.888.128**	**17.931**	**94.379**	**44.500**	**433.080**	**6.629.328**

At 31 December 2009, the Group has performed a value in use study in order to test whether there is any impairment on the tangible and intangible assets. For the value in use test, the cash flow projections are denominated in TRY and the "Weighted Average Capital Cost" (WACC) rate used is 16,2%. For the periods beyond ten years, 1% growth rate has been projected, considering the estimated inflation 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 carrying amounts of tangible and intangible assets. Additionally, there is no impairment on the tangible and intangible assets of Avea. The valuation work has been performed by the professional independent valuation firm; Analysys Consulting Limited.

There are no new leased assets for the year ended 31 December 2009. As disclosed in Note 7, there is a commercial enterprise pledge on all the moveable assets of Aria (except for the movables of Aycell). The commercial enterprise pledge secures the Senior Secured Financial Indebtness commercial of Avea up to a maximum amount of TRY 1.000.000.

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

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

	Land and buildings	Network and other equipment	Vehicles	Furniture and fixtures	Other fixed assets	Construction in progress	Total
Cost							
Opening balance, 1 January 2008	1.430.773	32.605.199	143.034	139.864	153.862	129.671	34.602.403
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	1.520.363	33.629.202	148.225	180.510	167.129	197.541	35.842.970
Accumulated depreciation							
Opening balance, 1 January 2008	386.273	27.649.222	130.539	112.673	105.056	-	28.383.763
Disposals	(18)	(169.113)	(2.271)	(2.294)	(4.288)	-	(177.984)
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	444.333	28.747.330	130.849	120.397	122.936	-	29.565.845
Carrying amount at 31 December 2008	1.076.030	4.881.872	17.376	60.113	44.193	197.541	6.277.125

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

22. Intangible assets

	License	Customer relationships	Brand	Other intangible assets	Concession right	Total
Cost						
Opening balance, 1 January 2009	**1.000.945**	**879.377**	**302.379**	**648.326**	**716.934**	**3.547.961**
Transfers (Note 21)	**-**	**-**	**-**	**13.946**	**-**	**13.946**
Disposals	**-**	**-**	**-**	**(27)**	**-**	**(27)**
Additions (*)	**476.984**	**-**	**-**	**246.136**	**123.305**	**846.425**
Closing balance, 31 December 2009	**1.477.929**	**879.377**	**302.379**	**908.381**	**840.239**	**4.408.305**
Accumulated amortization						
Opening balance, 1 January 2009	**118.389**	**200.264**	**35.766**	**393.124**	**66.044**	**813.587**
Disposals	**-**	**-**	**-**	**(4)**	**-**	**(4)**
Transfers	**-**	**-**	**-**	**(829)**	**-**	**(829)**
Amortization charge for the year	**63.901**	**87.044**	**15.607**	**103.347**	**39.212**	**309.111**
Closing balance, 31 December 2009	**182.290**	**287.308**	**51.373**	**495.638**	**105.256**	**1.121.865**
Carrying amount at 31 December 2009	**1.295.639**	**592.069**	**251.006**	**412.743**	**734.983**	**3.286.440**

(*) Additions amounting to TRY 123.305 (2008 - TRY 100.382) comprise intangible assets under scope of IFRIC 12.

	License	Customer relationships	Brand	Other intangible assets	IFRIC 12	Total
Cost						
Opening balance, 1 January 2008	1.000.945	879.377	302.379	450.649	616.551	3.249.901
Transfers (Note 21)	-	-	-	31.478	-	31.478
Disposals	-	-	-	(4.158)	-	(4.158)
Additions (*)	-	-	-	170.357	100.383	270.740
Closing balance, 31 December 2008	1.000.945	879.377	302.379	648.326	716.934	3.547.961
Accumulated amortization						
Opening balance, 1 January 2008	66.729	112.281	20.160	327.345	32.450	558.965
Disposals	-	-	-	(441)	-	(441)
Transfers	-	-	-	241	-	241
Amortization charge for the year	51.660	87.983	15.606	65.979	33.594	254.822
Closing balance, 31 December 2008	118.389	200.264	35.766	393.124	66.044	813.587
Carrying amount at 31 December 2008	882.556	679.113	266.613	255.202	650.890	2.734.374

(*) Impairment test has been applied to the intangible assets of the Group; however, no impairment has been assessed as a result of these tests.

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

22. Intangible assets – net (continued)

Remaining amortization periods of significant intangible assets are as follows:

Avea license	16,1 years
Avea customer relationships	6,8 years
Avea brand name	16,1 years

There is no restriction or pledge on the intangible assets except for the Avea brand as at 31 December 2009.

3G Licence Tender

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

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

The net book value of the 3G licence as at 31 December 2009 is TRY 462.578.

GSM 900 Additional Frequency Band Tender

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

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

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

The net book value of the GSM 900 band licence as at 31 December 2009 is TRY 11.378.

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

23. Provisions

a) Short term provisions

The breakdown of provisions as at 31 December 2009 and 2008 is as follows:

	31 December 2009	31 December 2008
Litigation provision	**147.609**	124.301
Unused vacation	**100.648**	92.034
Others	**338**	15.740
	248.595	232.075

The movement of provisions for the years ended 31 December 2009 and 2008 is as follows:

	Litigation provision	**Unused vacation provision**	**Other**
Provisions at 1 January 2009	**124.301**	**92.034**	**15.740**
Settled provisions	**(84.628)**	**-**	**-**
Provisions for the period (Note 31)	**127.190**	**8.614**	**-**
Reversals (Note 31)	**(19.254)**	**-**	**(15.402)**
Provisions at 31 December 2009	**147.609**	**100.648**	**338**

	Litigation provision	Unused vacation provision	Other
Provisions at 1 January 2008	102.832	105.643	15.402
Provisions paid	(24.783)	-	-
Provisions for the period	46.252	1.756	338
Reversals	-	(15.365)	-
Provisions at 31 December 2008	124.301	92.034	15.740

b) Long term provisions

	31 December 2009	31 December 2008
Provision for the investments under the scope of IFRIC 12	**7.139**	5.126
	7.139	5.126

23. Provisions (continued)

c) Long-term employee benefits

In accordance with existing social legislation in Turkey, companies are required to make lump-sum payments to employees whose employment 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 privatization, the Company had four different types of employment status (employees in scope of collective labor union contract, employees out of scope of collective labor 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 privatization. This law stated that subsequent to privatization, Labor 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 labor law considering all of their service periods. Hence, since the privatization process has been completed as at 31 December 2009, instead of reflecting the retirement obligations of the white and blue collar personnel separately, the Company calculated the total retirement obligation for all personnel. The retirement pay liability as at 31 December 2009 is subject to a ceiling of full TRY 2.365 (2007 – full TRY 2.173) per monthly salary for each service year.

The number of personnel as at 31 December 2009 and 2008 are 34.086 and 34.025, 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 privatization, 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 in 2005, the year of privatization. Past service cost amounting to TRY 58.737 is being amortized over seven years, the period over which benefits become vested, which is the expected average future service life of the employees.

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

23. Provisions (continued)

b) Long term provisions (continued)

i) Transfer of Employees to Other State Enterprises after Privatization

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 privatization on 14 November 2005, some of the employees have used this right to ask for employment from other state enterprises or governmental organizations within 180 days starting from the privatization date. Additionally, in 9 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 2009 and 2008. The decrease in liability has been presented in the reconciliation of defined benefit obligations separately as a settlement gain.

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

	1 January - 31 December 2009	1 January - 31 December 2008
Defined benefit obligation at January 1	**700.476**	1.007.149
Current service cost	**31.294**	35.979
Interest cost	**71.907**	99.457
Actuarial (loss)/gain (*) (Note 31)	**35.002**	(34.139)
Benefits paid by the Group	**(127.784)**	(360.715)
Transfers - net (employees transferred to state enterprises) (Note 31)	**(52.140)**	(47.255)
Defined benefit obligation 31 December	**658.755**	700.476

(*) As at 31 December 2008, actuarial gain amounting to TRY 35.771 and actuarial loss amounting to TRY 1.632 have been reflected to other operating income and expense respectively. Actuarial loss amounting to TRY 35.002 has been reflected to other operating expenses in 31 December 2009.

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

	31 December 2009	31 December 2008
Present value of defined benefit obligations	**658.755**	700.476
Unrecognized past service cost	**(24.584)**	(33.328)
Net liability recognized in the balance sheet at end of year	**634.171**	667.148

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

23. Provisions (continued)

b) Long term provisions

ıv) Total expense recognized in the consolidated statement of income:

	1 January - 31 December 2009	1 January - 31 December 2008
Current service cost	**31.294**	35.979
Interest cost	**71.907**	99.457
Past service cost	**8.744**	8.333
Total net cost recognized in the consolidated statement of income	**111.945**	143.769
Actuarial (gain) / loss (Note 31)	**35.002**	(34.139)
Settlement gain recognized (Note 31)	**(52.140)**	(47.255)
Total net income recognized in the consolidated statement of income	**(17.138)**	(81.394)

v) Principal actuarial assumptions use:

	31 December 2009	31 December 2008
Discount rate	**11%**	12%
Expected rate of ceiling increases	**4,8%**	5,4%

The average voluntary withdrawal rate for the next year for the remaining employees is estimated to be 3% (2008 - 3%).

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

As of 31 December 2009 and 2008, the shareholders of the Company with their shareholding percentage are as follows:

	31 December 2009		31 December 2008	
	%	**TRY**	%	TRY
The Treasury	**30**	**1.050.000**	30	1.050.000
OTAŞ	**55**	**1.925.000**	55	1.925.000
Public share	**15**	**525.000**	15	525.000
		3.500.000		3.500.000
Inflation adjustment to share capital		**(239.752)**		(239.752)
		3.260.248		3.260.248

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

The Company's share capital is fully paid and consists of 350,000,000,000 shares of 1 kuruş nominal value . OTAS is the holder of Group A shares and the Treasury is the holder of group B and C shares. Group C share consists only of a single preferred stock .

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

As of 31 December 2009, Citicorp Trustee Company Limited has a pledge over 192.500.000.000 group A shares belonging to OTAŞ which represent 55% of the total company shares.

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

Based on the Shareholders Agreement signed between OTAŞ and the Treasury on 14 November 2005 and the articles of association, the board of the directors of the Company shall consist of ten directors.

The board of directors is composed of ten directors nominated by the shareholders as follows:

a. the group A shareholder shall be entitled to nominate 6 persons for election as directors;
b. provided that the Treasury shall hold:
   - 30% or more of the shares, the Treasury shall be entitled to nominate 3 persons for election as directors; or
   - 15% or more of the shares (but less than 30% of the Shares) the Treasury shall be entitled to nominate 2 persons for election as directors;
c. as long as the Treasury holds 15% or more of the shares (but less than 30% of the shares), the group A shareholder and the Treasury shall be entitled to nominate a person who is unanimously agreed for the election as an independent director.

d. while the Treasury holds the C group Golden Share, the Treasury shall be entitled to nominate a further one person for election as director for the C group Golden Share.

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

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

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

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

(a) the distribution would result in a breach of any covenant or undertaking given by any group company (group companies are defined in the articles of association) to any lender or would, in the opinion of the simple majority of those present at the relevant meeting of the board of directors , be likely to cause such breach within the following 12 months; or
(b) the board of directors resolves by way of a simple majority of those present at the relevant meeting of the board that the distribution is materially prejudicial to the interests of any group company defined in the articles of association having regard to: (i) implementation of the investment programme approved by the board of directors in the business plan or the budget; or (ii) the trading prospects of the group companies defined in the articles of association and the need to maintain the sound financial standing of the group companies.

In accordance with the Turkish Commercial Code, companies are required to assign legal reserves before profit appropriations. The legal reserve consists of first and second legal reserves, allocated in accordance with the Turkish Commercial Code. The first legal reserve is allocated out of last period's statutory profits at the rate of 5% per annum until the total reserve reaches 1/5 of the paid-in share capital (not indexed to the inflation). The second legal reserve is allocated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. The Company's 2009 consolidated net income has been compared with its 2009 statutory net income and after appropriation of first legal reserve, TRY 1.731.184 was determined as an amount available for dividend distribution.

Dividends

In 2009, a dividend of full kuruş 0,4258 per share (total dividend of TRY 1.490.157) has been distributed to the shareholders (2008 – full kuruş 0,7839 per share with a total of TRY 2.743.605) (1 TRY=100 kuruş).

Prior period losses amount to TRY 288.991 in December 31 2008 financial statements prepared in accordance with CMB Accounting Standards. This amount does not represent an actual loss of the Company in previous years; but it is the consequence of the fact and former obligation that the Company used the financial statements prepared in accordance with Turkish Commercial Code (TCC) and Turkish Tax Code (TTC) for the profit distribution prior to the financial year of 2008, when the Company first-time adopted the profit distribution based on CMB financials. In other words, accumulated loss amounting to TRY 288.991 resulted from the accounting differences of the financial statements prepared in accordance with TTC and TCC and CMB Standards Accounting. As of 31 December 2009, accumulated loss amounting to TRY 288.991 has been offset from restricted reserves allocated from profits. In the Ordinary General Assembly meeting dated 11 May 2009 for 2008 period, dividend distribution plan proposed by the Board of Directors has been approved and dividend distribution decision has been obtained amounting to TRY 1.490.157.

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

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

Minority interest

The minority interest represents 18,63% shareholding of İş Bank Group in Avea as at 31 December 2009. As of 31 December 2009, 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. The movement of minority interest is as follows:

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 recognized under equity	(26.627)
Reclassification to other non-current liabilities	(199.720)
As of 31 December 2008	**-**
Reclassification to minority interest	**199.720**
Share of profit generated between 1 January 2008 – 31 December 2008	**(179.703)**
Minority interest share in unrealized loss on derivative financial instruments recognized under equity	**19.768**
Adjustment difference of shareholding rate change	**14.569**
Reclassification to other non-current liabilities (Note 11)	**(54.354)**
As of 31 December 2009	**-**

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

	1 January – 31 December 2009	1 January – 31 December 2008
Weighted average number of ordinary shares outstanding during the year	**350.000.000.000**	350.000.000.000
Net profit for the year attributable to equity holders of the Company	**1.831.730**	1.752.212
Basic and earnings per share (in full kuruş)	**0,5234**	0,5006

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25. Share based payment

According to the Turkish Council of Ministers decision dated 12 December 2007, which was published in the Turkish Official Gazette on 26 December 2007, 52,500,000,000 shares of Turk Telekom owned by the Treasury, the minority shareholder of Türk Telekom, has been sold as at 15 May 2008, through an initial public offering ("IPO") (such shares correspondence to corresponding to 15% Türk Telekom's shares). During the IPO, 12,299,160,300 of such shares have been allocated to the employees of Türk Telekom, PTT and small investors together with 5.220.503.000 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 TRY 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	TRY 4,60
The average price applied to the employees of Türk Telekom	TRY 4.2937
The number of shares sold to Türk Telekom's employees (lot)	31.104.948
Total benefits provided to the employees	TRY 9.528

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

a) Türk Telekom has not received any benefits (goods 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 TRY 34.000.

26. Commitments and contingencies

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

	31 December 2009	31 December 2008
Commitments for the acquisition of property, plant and equipment due to investment incentive certificates (Note 33)	**4.127**	4.021

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

26. Commitments and contingencies (continued)

Guarantees received and given by the Group are summarized below:

		31 December 2009		31 December 2008	
		Original currency	**TRY**	Original currency	TRY
Guarantees received	**USD**	**186.841**	**281.326**	149.479	226.057
	TRY	**490.591**	**490.591**	484.991	484.991
	EUR	**64.008**	**138.276**	94.073	201.392
	Other				
			910.193		912.440
Guarantees given (*)	**USD**	**151.987**	**228.847**	153.919	232.772
	TRY	**116.151**	**116.151**	58.809	58.809
	EUR	**13.300**	**28.732**	6.589	14.107
			373.730		305.688

(*) USD 151.500 of the amount (2008 - USD 151.500) is related with the guarantee provided to the ICTA by Avea with respect to the Avea Concession Agreement and 12.840 EUR is related with the guarantee provided for 3G license.

The Company's guarantee, pledge and mortgage (GPM) position as at 31 December 2009 and 2008 is as follows:

GPMs given by the Company	**31 December 2009**	31 December 2008
A. GPMs given on behalf of the Company's legal personality	**1.478.950**	1.595.657
B. GPMs given in favor of subsidiaries included in full consolidation	**1.417.766**	1.211.882
C. GPMS given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	**15**	-
D. Other GPMs	**17.282**	17.126
i. GPMs given in favor of parent company	-	-
ii. GPMs given in favor of Company companies not in the scope of B and C above	**17.282**	17.126
iii. GPMs given in favor of third party companies not in the scope of C above	-	-
Total	**2.914.013**	2.824.665

GPMs given by the Company as at 31 December 2009 are equivalent to 53,74% of the Company's equity (31 December 2008 – 55,24%).

26. Commitments and contingencies (continued)

Other commitments

The Group has the commitment for sponsorships and advertising services to purchase amounting to TRY 250.616 (31 December 2008 – TRY 188.572) as at 31 December 2009. Payments for these commitments are going to be made in an 11-year period.

In accordance with the sponsorship agreement between TTNet and the Turkish Football Federation, TTNet has committed to pay to the Federation;

- Total net of USD 300 + VAT in two equal installments dated 16 January 2012 and 12 March 2012 (each payment of net USD 150 + KDV) in case the Turkish National Football Team qualifies for the FIFA 2012 European Cup.

Türk Telekom concession agreement

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

- the provision of all kinds of telecommunications services;
- the establishment of necessary telecommunications facilities and the 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.

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 authorization agreement was entered into between the Company and the Ministry of Transportation. However, the Company may apply to the ICTA for renewal of the Concession Agreement, with any such renewal to be granted at the discretion of the ICTA. The Concession Agreement places an obligation on the Company, in the event of expiry, non-renewal or termination of the Concession Agreement, to transfer all equipment affecting the operation of the telecommunications network, together with all immovable properties where such equipment is installed, to the ICTA, at no cost, and in good condition.

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

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

26. Commitments and contingencies (continued)

Türk Telekom concession agreement (continued)

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

Under the Concession Agreement, the Company must comply with requests from other operators for access and/or interconnection without discrimination and to the extent technically possible. The Company is further required to publish a reference access and interconnection offer approved by the ICTA. The Concession Agreement also contains an obligation on the Company to provide universal services in compliance with any regulations made by the ICTA 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 ICTA unless expressly provided to the contrary in any regulation issued by the ICTA. The specific content of customer bills is governed by regulation. However, the cost of each service provided to a customer must be identified and a detailed bill must be sent to the customer on request, to the extent technically possible and subject to the payment of a fee.

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

Avea concession agreement

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

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 authorizes the establishment of direct connections with telecommunications operators abroad.

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 authorized 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 ICTA. 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 authorization agreement was entered into between Avea and the Ministry of Transportation (which was subsequently renewed as the license agreement between Aycell and the ICTA on February 2002).

26. Commitments and contingencies (continued)

***Avea concession agreement* (continued)**

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

The ICTA 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 ICTA 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 ICTA 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 to 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 authorization 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 8), and a contribution to the ICTA'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 ICTA. 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 ICTA and within the terms of the Authorization Ordinance. However, no transfer may be made to an entity which already has a GSM 900 or GSM 1800 license in Turkey, or to related parties of such an entity. 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 contingent liabilities (continued)

Avea License agreement (continued)

In accordance with Avea's GSM License agreement, Avea provided collateral equal to 6% of the license fee in cash and in the form of a bank letter of guarantee. If at any time it is determined that Avea has failed to fulfill its obligations arising from the Agreement, ICTA will be entitled to liquidate the performance bond.

a. Fund payable to the Treasury

Avea will pay an amount equal to 15% of the gross sales on a monthly basis to the Treasury, except for the default interest imposed on their subscribers for their late payments, indirect taxes, financial obligations such as charges and fees, and the accrual amounts accounted for reporting purposes. Gross sales refers to the amounts which shall cover the total sums charged or accrued in return for the goods or services sold within the framework of the operator's activities, and shall be recorded on the gross sales line of the statutory income statements.

Avea shall declare and pay 90% of the payment amount to the Treasury and the remaining 10% shall be paid to the Ministry of Transportation within the month of the payment, in accordance with the Law on the Provision of Universal Service and Amendments No 5369.

b. Contribution share to the ICTA

Avea shall pay 0,035% of the gross sales to the ICTA as contribution share to the ICTA's expenses, latest on the last business day of April of the following year.

c. Coverage area

Avea has guaranteed and undertook to cover (up to 2 Watt outdoors) at least 50% of the population of Turkey within three years after 11 January 2001 and at least 90% of the population of Turkey within five years after 11 January 2001. However, the localities where there are less than 10,000 inhabitants shall not be taken into consideration. This coverage area refers to the area to be covered by Avea alone, and will not be contributed by national roaming.

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

d. Service offerings

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

e. Service quality

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

26. Commitments and contingent liabilities (continued)

Avea License agreement (continued)

f. Tariffs

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

g. Emergencies

Avea will take the necessary measures with priority in order to satisfy the requirements and the needs of subscribers and users in emergencies, provided that the public authorities and enterprises will have priority in the case of health and security emergencies or fire and other disasters.

h. Investment plans

Pursuant to the relevant regulation, by the first day of September every year, Avea will present its investment plan for the following calendar years to the ICTA. These plans will be valid for 3 years and will contain information about the dynamic demand forecasts, and number and locations of the exchange stations, base stations and base control stations to be established, the period of operation, and the investment costs. Within 120 days of receipt of the investment plan, the ICTA will approve the compliance of plans with the commitments given in the Agreement.

In the case of the late submission of investment plans, the ICTA has the right to impose fine in accordance with the "Regulation on Administrative Fines to be imposed by the ICTA on Operators and Other Sanctions and Measures".

i. National roaming

Avea may enter into contracts with other licensed GSM networks in Turkey for national roaming purposes.

j. Suspension of operations

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

26. Commitments and contingent liabilities (continued)

Avea License agreement (continued)

k. Termination of the agreement by the ICTA

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

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

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

l. Insurance

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

3G License authorization

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

According to this Agreement;

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

26. Commitments and contingent liabilities (continued)

3G License authorization (continued)

- During the term of the Agreement, Avea shall each year submit its investment plan related to the subsequent calendar year, till 1 November to the ICTA. This plan shall be prepared for three years and shall include such information as the number, location, coverage areas, investment costs with respect to exchange centers, base stations and control stations to be established, as well as the realization ratio of the previous year's investment plan and reasons of deviation, if any.
- Avea pays every month as the Treasury share, 15% of its monthly gross sales except the default interest imposed to its subscribers for the amounts not paid within the specified term as well as the financial liabilities like excises, duties and charges and the accrual amounts accounted for reporting purposes.

Coverage Area Obligations:

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

- metropolitan municipalities within 3 years,
- all the municipalities of all provinces and districts within 6 years,
- all the residential locations having a population of more than 5,000 within 8 years,
- residential locations having a population of more than 1.000 within 10 years.

These are the areas which are to be covered by Avea alone and this obligation shall not be fulfilled through roaming. Upon request of the ICTA, yearly utmost two settling areas shall be covered with priority by Avea.

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

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

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

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

26. Commitments and contingencies (continued)

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

A vendor company may not establish the R&D centre and Technical Assistance Centre together with another vendor company; but may establish with a company, organization or institution resident in Turkey. The vendor company shall have at least 50% share of such centers. Said organization or institution resident in Turkey shall not employ other R&D centres and Technical Assistance Centres that have been established together with other vendor companies functioning in information and communication technologies area.
The university associates may also be employed part time, as engineers to be employed by the vendor company. The number of the university associates may not exceed 5% of the total number of engineers stated above.

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

- to procure at least 10% of such investments from the vendors in quality of SME and established in Turkey for the purpose of product and system development.

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

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

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

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

Termination of the Agreement by ICTA:

The Authority might terminate the Agreement for the following reasons;

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

In such circumstances, ICTA gives Avea the opportunity to fulfill its obligations within 90 days after the written notice. In case Avea cannot fulfill all the obligations within this period, the Agreement will be terminated by ICTA. The licence fee or any other fee is not reimbursable in case of a termination of agreement.

26. Commitments and contingencies (continued)

Legal proceedings of Türk Telekom

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

Disputes between Türk Telekom and Turkcell İletişim Hizmetleri A.Ş ("Turkcell")

Interconnection tariff and leased line disputes:

The Company and Turkcell have disputes over international interconnection and leased line rates charged by the Company. The Company provided a provision for this dispute amounting to TRY 27.826 as at 31 December 2009 (2008 - TRY 27.948) in the consolidated financial statements.

According to the Network Interconnection and Cooperation Agreement, dated 24 April 1998, between the Company and Turkcell, the Company claimed a rental fee including the interest charge of the defaulted invoices on 9 May 2002, amounting to TRY 30.067, for the monthly leased line services rendered between the period from 1 July 2000 to 31 December 2000. Turkcell filed a lawsuit against the Company to seek the declaratory judgment stating that it has no obligation of payment and also claimed from the Court the continuance of the preliminary temporary injunction decision. The Court rejected the objection of Turkcell in 2008 and the Company began to deduct the receivable amount declared by the Court, for which provision had been provided in the previous periods, from its current account payable balance to Turkcell together with its legal interest.

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

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

Consequently, Turkcell was condemned to pay a total of TRY 279.227, (TRY 137.733 of which is the principal amount and TRY 141.494 of which is the default interest) to the Company. Furthermore, beside the default interest to be added to the principal amount which shall be calculated on the basis of Turkish Central Bank commercial advance interest rate as from the filing date namely 5 August 2005, according to clause 12.3. of the Network Interconnection and Cooperation Agreement signed between Turkcell and the Company and amended by clause IX of the Annex Protocol dated 20 September 2003, a default penalty of 10% shall also be applied. In the consolidated financial statements, the Company has not accrued income accrual for this case to be prudent, since the case is subject to appeal. Turkcell has appealed this decision on 28 January 2010.

26. Commitments and contingencies (continued)

Legal proceedings of Türk Telekom (continued)

Disputes between the Company and the ICTA

The Company has filed various law suits against ICTA . These lawsuits are related with the sector-specific and tariff legislations and legislations with respect to the other operators in the market. The sector-specific disputes generally stem from the objections with respect to the provisions of interconnection legislation, legislation with respect to telecommunication services and infrastructure.

Disputes between the Company and its former personnel

In the scope of the ongoing restructuring of the personnel organization of the Company in order to achieve the number of personnel identified, the contracts of the employees who are entitled for pension and who are regarded as a surplus to the Company have been terminated based on the Board of Directors Decision. Accordingly, certain part of those employees has filed re-employment lawsuits against the Company. Most of the courts decided against the Company while the remaining cases are still ongoing. Provision amounting to TRY 15.350 (2008- TRY 8.026) has been provided in the consolidated financial statements for the ongoing cases.

Disputes between the Company and Istanbul Metropolitan Municipality

Total amount filed against the Company by İstanbul Metropolitan Municipality as contribution to the infrastructure investment and institution share is TRY 28.050. A cumulative provision amounting to TRY 66.050 (2008 – TRY 47.127) including the nominal amount and legal interest charges has been reflected to consolidated financial statements as at 31 December 2009.

Legal proceedings of Avea

Fines Issued Against Avea by the Ministry of Industry and Trade

The General Directorate for Protection of Consumers and Competition ran an audit at the end of 2008 depending on the Law No. 4077 (Protection of the Consumer Rights) and relevant regulations. The investigation of Avea lasted until the mid of 2009 as additional data and documents were required. The audit was concluded in 2009 and Avea penalized with two separate administrative monetary fines of TRY 51.335 and TRY 3.216 related with the Article 9/A and 11/A, respectively, of the Law on Protection of the Consumer Rights. Avea made an objection to the relevant fine on 27 August 2009 and upon such objection, the Ministry gave a decision for a stay of execution concerning the relevant administrative monetary penalty to consider Avea's objection and re-decide the transaction to be conducted.

Since the said transactions were not annulled by the defendant administration, the lawsuit dated 11 August 2009 was opened for annulment of transactions as well as stay of execution thereof. The relevant fines were served upon Avea by İstanbul Governorship on 6 October 2009. It was notified that annulment of the administrative transaction for a fine of TRY 3.216, which was issued due to the Law No.5809, would be repelled and that it was decided that findings of the Ministry the relevant issue would be communicated to ICTA to evaluate the issue.

With the notification served on 6 October 2009 by İstanbul Governorship, it was noted that the administrative transaction for a total fine of TRY 51.335 would be executed. Avea lodged a lawsuit on 9 October 2009 for stay of execution and annulment of the said transaction.

26. Commitments and contingencies (continued)

Legal proceedings of Avea (continued)

As regards this fine, a payment order was served upon Avea on 10 December 2009. A lawsuit was lodged in relation to the payment order by Avea for a stay of execution and annulment on 16 December 2009. The court ruled for stay of execution on 18 December 2009 until submission of the defensive statement by the relevant administration and/or a new decision is given.

Avea management has not set provision for the decision as at 31 December 2009 due to the interpretation of the management that the claims are unlawful and the decision will change after the appeal.

Monetary penalties of Ministry of Finance

VAT Penalties

In 2006 and 2007 the Ministry of Finance made tax audits on roaming invoices issued to Aycell and İş-Tim. Since Aycell and İş-Tim did not calculate 18% reverse charged VAT over the roaming invoices issued by the foreign roaming operators, the Ministry of Finance criticized Avea in their report and issued tax notifications. The tax notifications regarding Aycell and İş-Tim were announced officially in December 2006 and June 2007 to Avea. The total amount of tax notifications, which were sent to Avea, were in December 2006 full TRY 46 and in June 2007 full TRY 722. Avea filed court cases against the Ministry of Finance. The cases have not been concluded as at the preparation date of these financial statements. Council of State decided in favor of Avea for 17 court cases. Furthermore, the Ministry of Finance made a tax audit for the period February 2004 - July 2009 and sent tax notifications amounting to TRY 18.696 to Avea on 21 and 22 October 2009.

In the consolidated financial statement, a provision amounting to TRY 7.676 for the period 2002 to 31 December 2009 (including interest and penalty) has been booked. Avea applied for settlement for reverse charged VAT on November 19, 2009.

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

Based on the Tax Investigation Reports from the Presidency of Large Taxpayers Office on 21 and 22 October 2009. Avea should calculate Value Added Tax ("VAT") on charges paid to international GSM operators for the calls initiated by subscribers abroad (roaming), charge VAT to subscribers and collect them from subscribers. Based on this notification, Avea has been asked to pay for the principal of VAT amounting to TRY 4.948 for the period from September 2006 to July 2009. Avea opened 5 court cases for VAT on 19 November 2009 (1 court case against Boğaziçi Corporate Tax Office and 4 court cases against Presidency of Large Taxpayers Office). The cases have not been concluded as at the preparation date of these financial statements.

A provision amounting to TRY 5.918 as at 31 December 2009 has been booked in the consolidated financial statements.

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

26. Commitments and contingencies (continued)

Monetary penalties of Ministry of Finance (continued)

SCT Penalty

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

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

Avea applied for settlement for SCT on 19 November 2009 and for a provision amounting to TRY 11.508 for the period September 2006 to 31 December 2009 has been accounted for in the consolidated financial statements.

Other issues

Provision has been provided in the consolidated financial statements for the probable court cases against the Group based on the lawyers' asessments. The provision for such court cases is amounting to TRY 13.281 as at 31 December 2009 (2008 – TRY 36.155) (Note 23). For the rest of the cases, Group lawyers commented that basis of those cases are not realistic and should be appealed. Therefore, no provision has been provided for these cases.

27. Business combinations

During the financial period ended 31 December 2009, the Company has acquired 99,99% of the shares of Sobee. Information on the acquisition transactions has been disclosed in Note 18.

28. Events after the balance sheet date

None.

29. Operating expenses (including cost of sales)

	1 January – 31 December 2009	1 January – 31 December 2008
Cost of sales (-)	**(5.129.589)**	(4.885.789)
Marketing, sales and distribution expenses (-)	**(1.307.498)**	(1.240.384)
General administrative expenses (-)	**(1.713.865)**	(1.605.569)
Research and development expenses (-)	**(29.332)**	(9.817)
	(8.180.284)	(7.741.559)

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

30. Operating expenses (based on their nature)

	1 January– 31 December 2009	1 January– 31 December 2008
Personnel expenses	**(1.980.031)**	(2.146.063)
Repair and maintenance expenses	**(383.910)**	(522.993)
Domestic interconnection	**(800.282)**	(504.344)
Taxes	**(705.486)**	(506.689)
Commission expenses	**(391.675)**	(319.630)
Advertisement expenses	**(249.235)**	(294.181)
Promotion expenses	**(131.936)**	(200.056)
Utilities	**(259.914)**	(194.540)
Rent expenses	**(277.584)**	(158.000)
Bill distribution expenses	**(126.734)**	(157.788)
International interconnection	**(149.425)**	(101.640)
IFRIC 12 expenses	**(111.132)**	(90.573)
Consulting expenses	**(94.441)**	(86.034)
Court expert expenses	**(63.277)**	(45.745)
Stationary expenses	**(14.447)**	(20.981)
Insurance expenses	**(25.090)**	(17.287)
Sattelite expenses	**(13.493)**	(17.150)
Doubtful receivable expenses	**(362.547)**	(259.498)
Other expenses	**(482.227)**	(466.600)
Total operating expenses (excluding depreciation and amortization expense)	**(6.622.866)**	(6.109.792)
Depreciation, amortization and impairment	**(1.557.418)**	(1.631.767)
Total operating expenses	**(8.180.284)**	(7.741.559)

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

31. Other operating income / (expenses)

	1 January– 31 December 2009	1 January– 31 December 2008
Curtailment and settlement gain (Note 23)	**52.140**	47.255
Actuarial gain (Note 23)	**-**	35.771
Income from litigation (Note 23)	**34.656**	-
Income on release of bad debt provision (Note 8)	**179.862**	80.513
Indemnity income	**73.020**	26.177
Gain on scrap sales	**21.295**	33.807
Other	**132.608**	87.203
Other operating income	**493.581**	310.726
Litigation provision expense (Note 23)	**(127.190)**	(36.229)
Special Consumption Tax and other expenses	**(7.267)**	(4.799)
Actuarial loss (Note 23)	**(35.002)**	(1.632)
Other	**(20.575)**	(11.631)
Other operating expense (-)	**(190.034)**	(54.291)

32. Financial income / (expense)

	1 January– 31 December 2009	1 January– 31 December 2008
Interest expense	**(265.604)**	(235.707)
Foreign exchange losses	**(81.657)**	(657.516)
Loss on derivative instruments	**(225.358)**	(15.370)
Other	**(89.578)**	(13.985)
Financial expense	**(662.197)**	(922.578)
Interest income on bank deposits and delay charges	**201.879**	264.434
Foreign exchange gains	**60.515**	77.068
Gain on derivative instruments	**9.544**	793
Other	**23.500**	6.604
Financial income	**295.438**	348.899
Net financial (expense) net	**(366.759)**	(573.679)

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

33. Taxation on income

	31 December 2009	31 December 2008
Corporate tax payable:		
Current corporate tax provision	**731.035**	643.728
Prepaid taxes and funds (-)	**(581.053)**	(549.846)
	149.982	93.882

	1 January – 31 December 2009	1 January – 31 December 2008
Tax expense:		
Current income tax expense	**(731.035)**	(643.728)
Deferred income tax credit (Note 14)	**58.097**	134.954
	(672.938)	(508.774)

The Company and the subsidiaries incorporated in Turkey are subject to taxation in accordance with the tax regulations and the legislation effective in Turkey.

In Turkey, the corporate tax rate is 20% (2008 – 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 installment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% (2008 – 20%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

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

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

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

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

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33. Taxation on income (continued)

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

	1 January – 31 December 2009	1 January – 31 December 2008
Profit before tax	**2.324.965**	2.136.144
Tax at the corporate tax rate of 20%	**464.993**	427.228
Tax effects of:		
- effect of expenses that are not deductible in determining taxable profit	**33.510**	12.383
- deferred tax asset recognized from tax losses carried forward of subsidiaries	**-**	(25.407)
- adjustments and statutory tax losses of subsidiaries which are neither subject to statutory taxation nor deferred taxation	**174.435**	94.570
Tax expense for the year	**672.938**	508.774

Investment Incentives

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

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

The investment allowance indicated in (b) above is deductible from current or future taxable profits for the purposes of corporation tax; however, such investment allowances are subject to a withholding tax. At 31 December 2009 investment allowances amount to TRY 4.127 (31 December 2008 - TRY 4.021) (Note 26).

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

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

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

34. Financial risk management objectives and policies

Credit risk

As of 31 December 2009	Receivables: Trade receivables: Related parties	Receivables: Trade receivables: Third parties	Receivables: Other receivables: Related parties	Receivables: Other receivables: Third parties	Deposits and banks	Other
Maximum credit risk exposed to as at the reporting date (A+B+C+D+E)	**90.992**	**1.396.175**	**-**	**33.309**	**752.609**	**375**
- Guaranteed portion of the maximum risk	**-**	**62.740**	**-**	**-**	**-**	**-**
A. Carrying amount of financial assets not overdue or not impaired	**90.992**	**880.925**	**-**	**33.309**	**752.609**	**375**
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	**-**	**515.250**	**-**	**-**	**-**	**-**
- Amount secured via guarantees	**-**	**-**	**-**	**-**	**-**	**-**
D. Carrying amount of assets impaired	**-**	**-**	**-**	**-**	**-**	**-**
- Overdue (gross book value)	**-**	**1.228.656**	**-**	**24.891**	**-**	**-**
- Impairment (-)	**-**	**(1.228.656)**	**-**	**(24.891)**	**-**	**-**
E. Off balance sheet items with credit risk	**-**	**-**	**-**	**-**	**-**	**-**

As of 31 December 2008	Receivables: Trade receivables: Related Parties	Receivables: Trade receivables: Third parties	Receivables: Other receivables: Related parties	Receivables: Other receivables: Third parties	Deposits and banks	Other
Maximum credit risk exposed to as at 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	-	-	-	-	-	-

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

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

34. Financial risk management objectives and policies (continued)

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 2009 and 2008 based on contractual undiscounted payments (including interest payments not due yet).

Contract based maturities as at 31 December 2009	**Book value**	**Total contract based cash outflow (=I+II+III+IV)**	**Less than 3 months (I)**	**3 to 12 months (II)**	**1 to 5 Years (III)**	**More than 5 years (IV)**
Non-derivative financial liabilities						
Financial liabilities	**3.932.147**	**4.009.136**	**1.729.150**	**449.557**	**1.777.671**	**52.758**
Obligations under finance leases	**41.929**	**49.923**	**1.577**	**5.932**	**29.488**	**12.926**
Trade payables	**858.058**	**858.053**	**854.637**	**3.416**	**-**	**-**
Other payables	**39.903**	**39.903**	**39.903**	**-**	**-**	**-**
Related parties	**23.820**	**23.820**	**23.820**	**-**	**-**	**-**
Derivative financial liabilities (net)	**107.014**	**107.745**	**-**	**58.054**	**49.691**	**-**
Financial guarantees	**1.808.318**	**1.808.318**	**4.449**	**214.028**	**1.224.614**	**365.227**

Contract based maturities as at 31 December 2008	Book value	Total contract based cash outflow (=I+II+II	Less than 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Financial liabilities	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	207.361	5.775	29.625	161.888	10.073

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

34. Financial risk management objectives and policies (continued)

Fair value hierarchy table

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

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)
Level 2: Other valuation techniques includes direct or indirect observable inputs
Level 3: Valuation techniques does not contains observable market inputs

Financial assets at fair value through profit or loss:	Level 1	Level 2	Level 3
Swap assets	-	-	-
Forward assets	-	-	-
Options	-	-	-
Other	-	-	-
Financial liabilities at fair value through profit or loss:			
Swap assets	-	106.233	-
Forward assets	-	-	-
Options	-	781	-
Other	-	-	543.103

Foreign currency risk:

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

The following table demonstrates the sensitivity to a reasonably possible change in the 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 2009	**Profit/Loss**	
	Appreciation of foreign currency	**Depreciation of foreign currency**
Appreciation of USD against TRY at 1%:		
1- USD net asset/liability	(14.365)	14.365
2- Portion protected from USD risk (-)	1.656	(1.656)
3- USD net effect (1+2)	**(12.709)**	**12.709**
Appreciation of Euro against TRY at 1%:		
4- Euro net asset/liability	(10.687)	10.687
5- Portion protected from Euro risk (-)	-	-
6- Euro net effect (4+5)	**(10.687)**	**10.687**
Appreciation of other foreign currencies against TRY at 1%:		
7- Other foreign currency net asset/liability	(13)	13
8- Portion protected from other foreign currency (-)	-	-
9- Other foreign currency net effect (7+8)	**(13)**	**13**
Total (3+6+9)	**(23.409)**	**23.409**

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34. Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

As of 31 December 2008	Profit/Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Appreciation of USD against TRY at 1%:		
1- USD net asset/liability	(23.766)	23.766
2- Portion protected from USD risk (-)	454	(454)
3- USD net effect (1+2)	(23.312)	23.312
Appreciation of Euro against TRY 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 TRY at 1%:		
7- Other foreign currency net asset/liability	(21)	21
8- Portion protected from other foreign currency (-)	-	-
9- Other foreign currency net effect (7+8)	(21)	21
Total (3+6+9)	(25.396)	25.396

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

34. Financial risk management objectives and policies (continued)

Foreign currency position (continued)

	31 December 2009					31 December 2008				
	TRY Equivalent	USD	Euro	GBP	Other	TRY Equivalent	USD	Euro	GBP	Other
1. Trade receivables	164.782	70.278	27.294	-	-	147.121	79.370	12.654	-	-
2a. Monetary financial assets (Cash and banks accounts included)	228.426	136.987	10.256	4	-	388.775	224.559	22.962	8	-
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
3. Other	32.315	15.967	3.789	34	4	25.235	14.840	1.285	19	-
4. Current assets (1+2+3)	425.523	223.232	41.339	38	4	561.131	318.769	36.901	27	-
5. Trade receivables	175	-	81	-	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
7. Other	2.303	1.447	21	-	179	380	250	-	1	-
8. Non-current assets (5+6+7)	2.478	1.447	102	-	179	380	250	-	1	-
9. Total assets (4+8)	428.001	224.679	41.441	38	183	561.511	319.019	36.901	28	-
10. Trade payables	359.943	112.984	87.276	524	12	181.480	79.829	27.374	967	40
11. Financial liabilities	567.015	257.703	82.855	-	-	549.523	347.360	11.309	-	-
12a. Monetary other liabilities	159.082	77.392	19.698	-	-	24.075	8.025	5.577	-	-
12b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-
13. Short-term liabilities (10+11+12)	1.086.040	448.079	189.829	524	12	755.078	435.214	44.260	967	40
14. Trade payables	-	-	-	-	-	-	-	-	-	-
15. Financial liabilities	1.813.792	713.244	342.480	-	-	2.374.897	1.440.199	87.728	-	-
16 a. Monetary other liabilities	16	11	-	-	-	16	11	-	-	-
16 b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-
17. Long-term liabilities (14+15+16)	1.813.808	713.255	342.480	-	-	2.374.913	1.446.210	87.728	-	-
18. Total liabilities (13+17)	2.899.848	1.161.334	532.309	524	12	3.129.991	1.881.424	131.988	967	40
19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b)	(107.014)	(65.972)	(3.555)	-	-	(208.722)	(138.016)	-	-	-
19a. Total asset amount hedged **	-	-	-	-	-	793	524	-	-	-
19b. Total liability amount hedged ***	107.014	65.972	3.555	-	-	209.515	138.540	-	-	-
20. Net foreign currency asset/(liability) position (9-18+19)	(2.578.861)	(1.002.627)	(494.423)	(486)	171	(2.777.202)	(1.700.421)	(95.087)	(939)	(40)
21. Net asset/(liability) position of foreign currency monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)*	(2.506.465)	(954.069)	(494.678)	(520)	(12)	(2.594.095)	(1.571.495)	(96.372)	(959)	(40)
22. Fair value of FX swap financial instruments	-	-	-	-	-	-	-	-	-	-

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34. Financial risk management objectives and policies (continued)

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 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 December 2009	31 December 2008
Financial instruments with fixed interest rate		
Financial liabilities	**1.733.558**	755.315
Financial instruments with variable interest rate		
Financial liabilities	**2.198.589**	2.653.167

If the base point of TRY 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 TRY 5.863 (31 December 2008 – TRY 1.160)

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 TRY 4.876 (31 December 2008 – TRY 16.934).

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34. Financial risk management objectives and policies (continued)

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

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

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

	Book value		**Fair value**	
	Current period	Prior period	**Current period**	Prior period
Financial assets				
Cash and cash equivalents	**753.693**	1.041.982	**753.693**	1.041.982
Trade and other receivables (including related parties)	**1.520.476**	1.485.118	**1.520.476**	1.485.118
Other financial investments	**-**	793	**-**	793
Financial liabilities				
Financial liabilities	**3.932.147**	3.408.482	**3.953.298**	3.403.356
Minority put option liability	**543.103**	586.439	**543.103**	586.439
Derivative financial instruments	**107.014**	209.515	**107.014**	209.515

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

Capital management policies

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

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

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or return capital to shareholders. No changes were made in the objectives, policies or processes during the years 2009 and 2008.