TÜRK TELEKOMÜNİKASYON A.Ş.
2011 ANNUAL REPORT

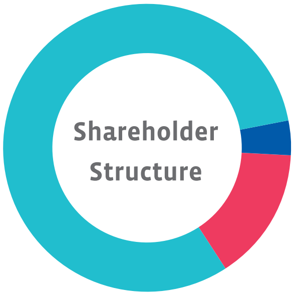
TURKEY'S FUTURE IS OUR FUTURE.

TÜRK TELEKOM

Contents

Türk Telekom Group

	Türk Telekom	avea	TTNET	PANTEL
Year of Establishment	1995	2004	2006	2010
Core Business	Telecommunications	Mobile Communications	Internet Service Provider	Internet/data services, fiber optic infrastructure and total sales services provider
Türk Telekom's Share		90%	100%	100%
Number of Employees	23,940	2,707	588	263
Service Network	15.2 million PSTN subscribers 21.9 PSTN ARPU TL 9.2 billion fixed sales revenue TL 4.7 billon fixed EBITDA 6.8 million wholesale ADSL connections	Roaming agreements with 656 operators in 201 countries 12.8 million subscribers TL 20.50 ARPU TL 3.1 billion sales revenue TL 380 million EBITDA	6.1 million ADSL retail subscribers TL 2.9 billion sales revenue TL 36.30 TL ARPU	Central and Eastern Europe region (CEE), Turkey, Caucasus Region, the Middle East 27 thousand km of fiber optic cable infrastructure
Web Site	turktelekom.com.tr	avea.com.tr	ttnet.com.tr	pantel.co



55% Oger Telecom

15% Free Float

30% Republic of Turkey Prime Ministry Undersecretariat of Treasury (Treasury)

34,886

members of a big family

assistt	innova	ARGELA	sebit	SOBEE STUDIOS
2007	1999	2004	1988	2001
Guidance and customer services	Information Technology	Telecommunications infrastructure and services	Education and Information Technology	Software
100%	**100%**	**100%**	**100%**	**100%**
6,275	**666**	**163**	**249**	**35**
11 call centers across Turkey	Projects in over **20** countries	Priority markets: Commonwealth of Independent States (CIS), the Middle East, North Africa	Turkey, USA, Malaysia, Saudi Arabia, China and Mexico	Interactive, multi-player, 3-D games reaching hundreds of thousands of users
assistt.com.tr	innova.com.tr	argela.com	sebit.com.tr	sobee.com.tr

We create value for Turkey

Our dream is a more developed, more modern, and more jubilant Turkey. In order to make this dream come true, every year we make investments worth billions of TL, expand our product range, and enhance our service quality.

The clearest indicators of this intention are the facts that Türk Telekom Group paid TL 4.7 billion in taxes in 2011, and also became the highest social security premium paying employer in 2010, according to data released in 2011.

We have another business besides telecommunications, which we take very seriously and prioritize just as much: Creating value for our Turkey...

In 2011, we continued to develop social responsibility projects to create a brighter future for a more advanced Turkish society and to support our children throughout the country.

We are fully aware that the road to a better future passes through better education for our children, and we work relentlessly to achieve this objective.

Because we know that...

**Even the smallest difference counts,
that's value Turkey amounts.**

Projects worthy of Turkey

30 thousand students

A modern educational environment for more than 30 thousand students

Türk Telekom Schools

In addition to its investments in technology, infrastructure and human resources, Türk Telekom adds value to the lives of people thanks to “Türkiye’ye Değer” social responsibility projects. Within the scope of “Türkiye’ye Değer”, as one of the largest social responsibility projects in education - Türk Telekom Schools Project provides a modern educational environment supported by the Ministry of Education and Ministry of Transport, Maritime Affairs and Communications for more than 30 thousand students.

“Why shouldn’t a shepherd become a doctor? I wanted to overcome that bias.”

Uğur Fidan - 20

Graduate of Van Türk Telekom Science High School

Uğur successfully graduated from Van Telekom High School for Science and entered Dicle University's Faculty of Medicine. Uğur Fidan is currently receiving the medical education he always dreamed of.

Uğur Fidan was born in 1992 in the Dinlence Village of Van's Erciş District. Uğur has seven siblings and is the youngest among them. He studied the first five years of primary school at the Dinlence Elementary School in his village; and went on to complete junior high school at 19 Mayıs Elementary School in the district center. During junior high, he had to walk 14-15 km between the village and the district center and also worked as a shepherd to support his family. He showed great ambition and finished the school with top grades. His aim was to enroll in a high school for science and then go on to study medicine at the university. He was accepted by high schools for science in Izmir and Istanbul; however, couldn't enroll due to economic hardship. Then, he was accepted by the Van Türk Telekom High School for Science which opened its doors the same year. He graduated from Van Türk Telekom High School for Science with top grades and was accepted to Dicle University's Faculty of Medicine. Uğur Fidan now studies the subject he had always dreamed of, but in summer holidays he continues to work as a shepherd to support his family.

His ultimate objective is to go back to his village and work as a doctor after graduation.

Türk Telekom in Brief

Our Mission

To provide customer-focused integrated communication solutions to our customers anywhere and anytime.

Our Vision

To be the preferred communication operator carrying to the future.

Our Corporate Values

We are customer-focused, trustworthy, innovative, responsible and dedicated.

Our strength comes from solidarity and team spirit.

History

1995

April 24, 1995 Following the separation of the telecommunications and postal services branches of PTT, Türk Telekomünikasyon A.Ş. was established. PTT's personnel, assets and liabilities related to telecommunications services were transferred to the Company, wholly-owned by the Republic of Turkey Prime Ministry Undersecretariat of Treasury ("Treasury").

2004

February 19, 2004 TİM Iletişim Hizmetleri A.Ş., created through a merger of Türk Telekom's GSM Operator Aycell and İŞ-TİM, was officially established under the name "Avea İletişim Hizmetleri A.Ş." on February 19, 2004.

2005

November 14, 2005 Türk Telekom's privatization process was completed, and 55% of Türk Telekom shares were transferred to Oger Joint Venture Group.

2006

April 26, 2006 TTNET was established on April 26, 2006 as a subsidiary of Türk Telekom, obtained its "Internet Service Provider License" on May 14, 2006 and commenced operations.

September 15, 2006 Türk Telekom acquired a 40.56% stake in İŞ-TİM's Avea for USD 500 million, and its total stake in Avea rose to 81.12%.

2008

May 15, 2008 The public offering for 15% of Türk Telekom shares was completed, and the shares started trading on the Istanbul Stock Exchange.

2010

October 7, 2010 Türk Telekom acquired Invitel International (renamed Pantel after the acquisition), the leading wholesale capacity and data services provider in the CEE region.

2011

May 30, 2011 Türk Telekom distributed to shareholders TL 2,244 million, its entire 2010 distributable profit, in gross cash dividends, breaking an all-time record in the history of the Istanbul Stock Exchange.

June 12, 2011 Türk Telekom was elected to the board of directors of Eurogia+ Set within the body of the international R&D support program EUREKA, which operates under the umbrella of the European Union and is supported by leading European companies.

July 17, 2011 Türk Telekom raised Turkey's outgoing internet speed up from 650 gigabytes to 1.2 terabytes with support from the Group company Pantel, Europe's leading wholesale capacity and data services provider.

July 26, 2011 Türk Telekom became the first telecommunications company in Turkey to report its carbon emission to Carbon Disclosure Project (CDP).

August 1, 2011 Founded in Germany as a wholly-owned subsidiary of Türk Telekom, Türk Telekomünikasyon Euro GmbH joined forces with Telefonica-O2 to deliver mobile communication services in Germany under the brand Türk Telekom.

October 14, 2011 For the first time in Turkey, Türk Telekom started offering opportunities to shareholders according to their share ownership performance, according to the Shareholder Benefit Program realized in cooperation with the Central Registry Agency (CRA).

October 21, 2011 Türk Telekom was unanimously elected to the membership of the Board of Directors of European Telecommunications Network Operators (ETNO) at its 40th General Assembly.

Projects worthy of Turkey

76 **educational buildings**

76 educational buildings throughout Turkey

Türk Telekom Schools

Educational facilities in various provinces of Turkey have been built with the "Türk Telekom Schools" project, which was implemented by Türk Telekom with the aim of investing in the future. A total of 76 educational buildings have been built within the Türk Telekom Schools Project, which is supported by the Ministry of Education and Ministry of Transport, Maritime Affairs and Communications. Türk Telekom Schools Project, one of the largest social responsibility projects in education, adds value to Turkish society.

I saw Izmir with my family for the first time when I went to work as a seasonal worker. Then I went back to Izmir being accepted by Dokuz Eylül University Faculty of Medicine.

Daham Özgel - 22
Graduate of Siirt Türk Telekom High School

Daham graduated from Siirt Türk Telekom High School for Science and entered Dokuz Eylül University's Faculty of Medicine. This time he was going to Izmir not to work in the fields but to study medicine.

Daham Özgel was born in 1990 in the Kızıltepe district of Mardin, and he has eight siblings. Daham completed the first six years of primary school in Musa Bey Village of Menemen District in Izmir, where they had to migrate due to economic hardship; and the last two years back in Kızıltepe. In 2006, Daham was accepted to Siirt Türk Telekom High School for Science. Daham spent all the summer holidays during high school working in the tomato and cucumber fields of Manisa, including the year just before the university entrance exam. In 2010, he was accepted to the Dokuz Eylül University, Faculty of Medicine; he went back to Izmir, this time to become a doctor.

Daham Özgel is a student at Dokuz Eylül University, Faculty of Medicine.

2011 at a Glance

In 2011, Türk Telekom Group contributed about TL 4.7 billion to public finances, delivering value to the national economy and society, while maintaining its consistent growth performance.

Highlights

Continuing to deliver value to the national economy and society

Composed of innovative companies leading their respective fields, Türk Telekom Group, displayed a consistent growth performance in 2011, while delivering value to the national economy and society. In 2011, Türk Telekom Group contributed about TL 4.7 billion to public finances, including tax paid to the state and the treasury share.

Turkey's most valuable brand

In 2011, for the third year in a row, the Türk Telekom brand was designated Turkey's Most Valuable Brand in Turkey's Most Valuable Brands survey by the world's leading brand evaluation company Brand Finance. Türk Telekom achieved a great breakthrough by topping the list in 2009, 2010 and 2011.

Türk Telekom participated in Turkey's Most Valuable Brands survey in 2009 and placed first with its brand value of USD 1,592 million, and again topped the list in 2010 with a brand value of USD 1,692 million. According to the survey results of 2011, Türk Telekom was once again designated Turkey's Most Valuable Brand with a brand portfolio of USD 2,289 million.

Türk Telekom’s Massive Boost in Employment

Turkey’s leading communication and convergence technologies company Türk Telekom continues to contribute to employment in addition to its investments in technology and infrastructure. After 2009, Türk Telekom also took the top spot in 2010 in the “Top Premium Paying Employers in 2010” ranking, prepared by the Social Security Institution in 2011. Türk Telekom placed third in the “Employers Employing the Highest Number of Handicapped People with Social Security Benefits” ranking in 2010, released in 2011.

Total fiber optic cable length: 178 thousand km

With its investment outlay in 2011, Türk Telekom brought the domestic fiber optic cable length for access and transmission purposes to 150,600 km. Türk Telekom also united this robust infrastructure with that of Pantel to reach a total of 177,600 km of fiber optic cable network across Turkey and Europe.

Turkey’s outgoing internet capacity speed is upgraded up from 650 gigabytes to 1.2 terabytes

Türk Telekom upgrades Turkey’s outgoing Internet capacity speed up from 650 gigabytes to 1.2 terabytes with support from the Group Company Pantel, Europe’s leading wholesale capacity and data services provider. Türk Telekom had previously brought Turkey’s outgoing Internet capacity from 30 gigabytes in 2005 to 650 gigabytes thanks to its investments over six years. In 2011, Türk Telekom undertook ground-breaking investments to further accelerate Turkey’s Internet speed, increasing the outgoing internet capacity 40-fold over 2005. This capacity increase will drastically accelerate access to popular global websites from Turkey; access standards will have also been maintained during peak times with busy Internet traffic.

Türk Telekom Group raised its market value from TL 22.8 billion as of 2010 year-end to TL 24.5 billion as of 2011 year-end, establishing itself as one of Turkey's most valuable companies.

Highlights

One of Turkey's most valuable companies

In 2010, Türk Telekom's share price had gone up 55%, pleasing investors immensely; shares gained a further 17.5% in 2011, significantly outperforming the ISE 100 Index which saw 22% of its value erode. Türk Telekom's market value rose from TL 22.8 billion as of 2010 to around TL 24.5 billion as of 2011, despite TL 2.2 billion distributed in cash dividends. Türk Telekom closed the year 2011 as the second most valuable company on the ISE, and its most valuable non-banking company.

First Telecommunication Company in Turkey to report its carbon emissions

Türk Telekom is the first Turkish telecoms company to measure and report its carbon emissions to Carbon Disclosure Project (CDP) that helps drive investment flows to develop a low carbon economy. In the evaluation of CDP for the ISE-100 companies reporting, Türk Telekom was named one of two best reporting companies in terms of methodology and transparency.

Türk Telekom enters the German mobile market with Telefónica cooperation

On August 1, 2011, Türk Telekom Mobile started offering mobile voice, data and value added services to the German market. Through a broad collaboration between Türk Telekom and Telefónica Germany, the brand Türk Telekom Mobile entered the German mobile communications market. As a result of this joint effort, Türk Telekom Mobile offers customers unlimited calling minutes and value added services from a single SIM card at exclusive prices, thanks to the 02 infrastructure in Germany and the Avea infrastructure in Turkey. Türk Telekom Mobile service is delivered by Türk Telekomünikasyon Euro GmbH, established in Germany as a wholly-owned subsidiary of Türk Telekom. Türk Telekom plans to expand its Türk Telekom Mobile service to other European countries with a significant Turkish population, after its success in Germany.

The first and only telecommunications company qualified to be a member of Corporate Governance Index

Türk Telekom was the first telecom company included in the Istanbul Stock Exchange Corporate Governance Index in 2009 as a result of the independent evaluation study conducted by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA Corporate Governance and Credit Rating Services Inc.).

In 2011, Türk Telekom improved its corporate governance compliance rating from 8.27 in the previous year to 8.37, once again displaying its commitment to corporate governance principles.

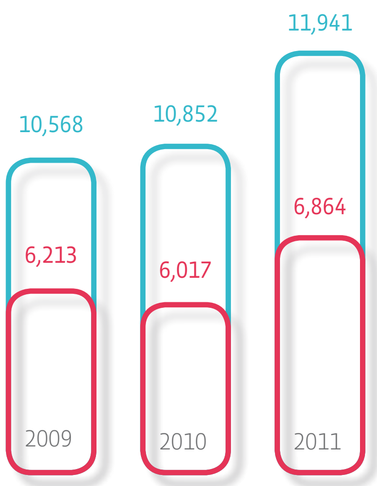
Türk Telekom has set another record in dividend distribution

Having set a record on the Istanbul Stock Exchange with a dividend payment amount of TL 1 billion 590 million made in cash to its shareholders in 2010, Türk Telekom broke that record in 2011. Türk Telekom, in May 2011, made a gross dividend payment of TL 2 billion 244 million, the total distributable profit of 2010 in cash. The gross dividend yield per share of Türk Telekom's investors was realized as follows in years 2008, 2009 and 2010 respectively: TL 0.43, TL 0.45, and TL 0.64.

Main Performance Indicators

Consolidated Sales Revenue (TL million)

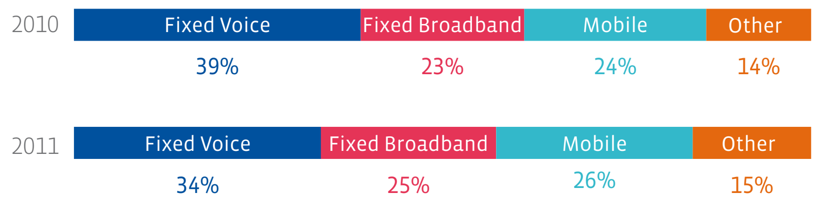
Consolidated Sales Expenses (TL million)



10% Consolidated sales revenue increase of 10% in 2011.

The Group's consolidated revenue for 2011 is TL 11.9 billion which showed 10% growth (TL 1.1 billion) compared to that of 2010. The main drivers of revenue growth are the ADSL business (up 18%, TL 452 mn), Mobile business (up 16%, TL 434 million) and international revenue, which is mainly driven by the Pantel acquisition (up 102%, TL 232 million).

Consolidated Sales Revenue Breakdown (%)



12 TL billion Sales Revenue

Sales Revenue grew 10% compared to last year and reached TL 12 billion on the back of strong operating performance.

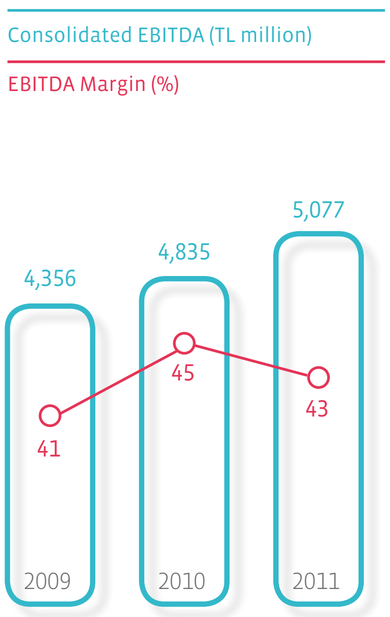
2.1 TL billion Net Consolidated Income

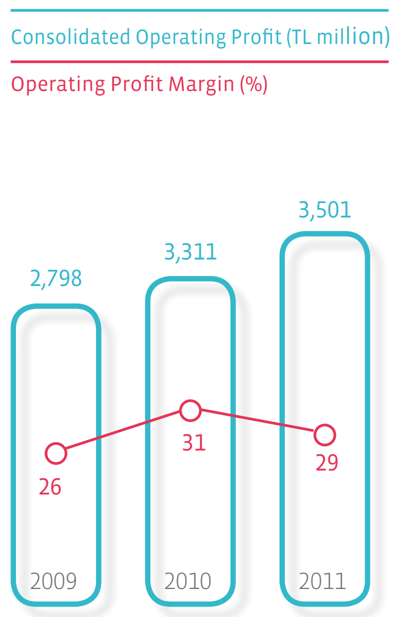
Reaching record high consolidated revenue, Türk Telekom records TL 2,1 billion net consolidated income as of 2011 by continuing its profitable growth.

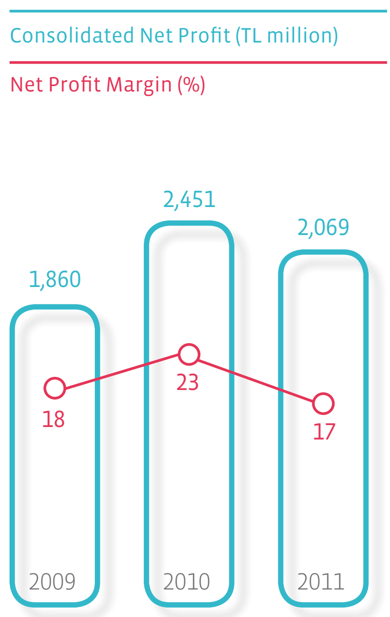
2.3 TL billion Investment

Türk Telekom invested in 2011 for further growth of the business by enabling itself to strengthen its core infrastructure and increase its 3G population coverage.

Consolidated Summary Income Statement (TL millions)	2008	2009	2010	2011	Annual Change 2010-2011
Sales Revenue	10,195	10,568	10,852	11,941	10.0%
Net Operating Expenses excluding Depreciation and Amortization	(5,788)	(6,213)	(6,017)	(6,864)	14.1%
Net Operating Profit before Depreciation and Amortization (EBITDA)	4,407	4,356	4,835	5,077	5.0%
Depreciation and Amortization	(1,632)	(1,557)	(1,524)	(1,577)	3.5%
Operating Profit	2,775	2,798	3,311	3,501	5.7%
Net Financial Income / (Expense)	(673)	(438)	(184)	(891)	384%
Corporate Tax	(502)	(680)	(799)	(710)	(11.2%)
Minority Interest	125	179	122	169	38.2%
Net Profit for the Period (for the main shareholder)	1,723	1,860	2,451	2,069	(15.6%)







5% EBITDA increased 5% to reach TL 5.1 billion in 2011.

5.7% Operating profit increased 5.7% to TL 3.5 billion in 2011 as a result of EBITDA growth.

15.6% (decrease)

In 2011, Türk Telekom's Net Operating Profit before Depreciation and Amortization (EBITDA) increased 5% (TL 242 million) over the year 2010 to reach TL 5.1 billion, resulting in a consolidated EBITDA margin of 42.5%. EBITDA in the fixed line business segment grew 4.3% (TL 196 million) compared to last year, with an EBITDA margin of 51.1%. EBITDA in mobile business segment increased by 14.4%, up from TL 332 million to TL 380 million; the mobile EBITDA margin reached 12.3%.

The negative impact of incentive expenditures arising from the voluntary retirement program on fixed line EBITDA in 2011 was TL 100 million; of this total, TL 65 million accrued in the final quarter of 2011 (Q4). Doubtful receivables provision update and campaign on collection of overdue receivables had a positive impact of TL 125 million on the fixed line EBITDA in Q4 2011. Reversal of prior periods' excess doubtful receivables provision due to improved collection performance had a positive impact of TL 31 million on the mobile business EBITDA in Q4 2011.

Net Financial Income/(Expense)

Net financial expense of TL 891 mn in 2011 was recorded compared to TL 184 mn in 2010 mainly due to TL depreciation against USD and EUR.

Net Operating Expense (excluding Depreciation and Amortization)

Net operating expense increased 14% to reach TL 6.9 billion, mainly due to rising personnel expenses, commercial costs and international interconnection expenses due to the acquisition of Invitel.

Türk Telekom posted net profit of TL 2,069 million for 2011 (2010: TL 2,451 million), and earnings per share of TL 0.5911 (2010: TL 0.7002).

Depreciation and Amortization Expenses

In 2011, total depreciation and amortization expenses increased 3.5% over the TL 1.5 billion recorded in 2010 to TL 1.6 billion.

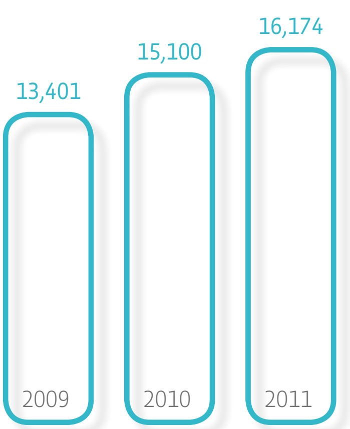
Taxes

In 2011, tax expense was down 11.2% over the previous year to TL 710 million, partially due to the decline in profit before tax; the effective corporate tax rate in 2011 was 27%.

Main Performance Indicators

Consolidated Summary Balance Sheet (TL million)	2008	2009	2010	2011	Annual Change 2011-2010 (%)
Intangible Assets	2,734	3,286	3,517	3,540	0.7
Tangible Assets	6,588	6,920	7,435	8,156	9.7
Other Assets	2,295	2,441	2,929	3,499	19.5
Cash and Equivalents	1,042	754	1,219	979	(19.7)
Total Assets	12,659	13,401	15,100	16,174	7.1
Share Capital	3,260	3,260	3,260	3,260	0.0
Reserves and Retained Earnings	1,853	2,162	2,915	2,509	(13.9)
Interest Bearing Liabilities	3,455	3,974	4,199	5,346	27.3
Provisions for Long-term Employee Benefits	667	634	607	563	(7.2)
Other Liabilities	3,424	3,371	4,119	4,496	9.2
Total Equity and Liabilities	12,659	13,401	15,100	16,174	7.1

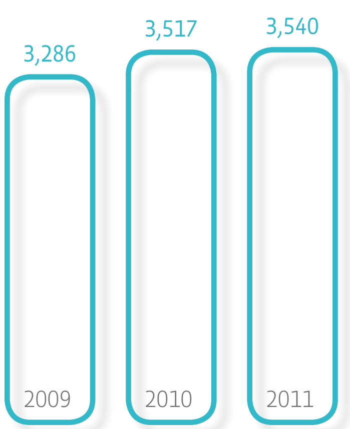
Total Assets
(TL million)



7.1%

Türk Telekom Group's total assets reached TL 16,174 million in 2011, an increase of 7.1%. The contributory causes of this increase are, in descending order: tangible assets (the increase in item "network and other devices" especially), other assets (no outstanding item) and cash and equivalents (especially the expansion of cash and cash equivalent). The increase in the assets was financed mainly by, in descending order; interest bearing liabilities and other liabilities

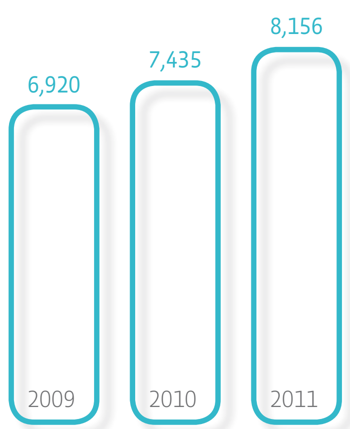
Intangible Assets
(TL million)



0.7%

Intangible assets increased 0.7% in 2011, up to TL 3,540 million.

Tangible Fixed Assets
(TL million)



9.7%

In 2011, tangible assets grew 9.7% to reach TL 8,156 million.

As of 2011 year-end, shareholders' equity stands at TL 3,260 million.

Operational Highlights (TL million)

Fixed Voice (PSTN)	2008	2009	2010	2011	Change (%) 2010-2011
PSTN ARPU (TL)	23.9	21.1	22.2	21.9	(1.5)
Total Access Lines (millions)	17.5	16.5	16.0	15.2	(5.2)
PSTN MoU (minutes)	118	108	114	105	(7.2)
PSTN Line per Personnel	587	600	624	635	2

The Ev Avantaj ("Home Advantage") package, one of Türk Telekom's most popular fixed line tariffs, reached 6.4 million subscribers as of 2011 year-end. The Company also offered customers discounts from various leading brands and free calling minutes with the 7'den 7'ye Bedava ("Free from 7pm to 7am") tariff. As of 2011 year-end, Average Revenue per User (ARPU) stood at TL 21.9, and Minutes of Use (MoU) was 105 minutes.

Mobile	2008	2009	2010	2011	Change (%) 2010-2011
Mobile Blended ARPU (TL)	14.6	17.8	19.2	20.5	7
Mobile MoU (minute)	166.7	258.0	268.5	316.1	2
Mobile Total Subscribers (million)	12.2	11.8	11.6	12.8	10
Number of Base Stations	10,203	13,625	16,040	21,523	
Population Coverage (%) 2G	95.2	96.5	96.7	97.6	
Population Coverage (%) 3G			63	78.9	

Türk Telekom's Group Company Avea, despite being the youngest operator in its industry, reached 12.8 million subscribers as of 2011 year-end and placed first in number portability with 626 thousand new subscribers. Avea not only has a 20% market share by number of subscribers, but also boasts the highest percentage of postpaid subscribers in the industry, at 44%.

In 2011, Avea's investment outlay reached TL 800 million, corresponding to 32% of the aggregate investment expenditure in the mobile industry. The largest share was for investments in network, new technologies and customer services. Avea increased the number of its base stations by 34% over 2010 thanks to investments made within a network improvement and expansion program.

In 2011, Avea joined the "Long Term Evolution" underway across the world and took innovative steps toward near field communication (NFC). The Company also sustained its profit-oriented growth strategy and increased its profit before interest, depreciation and taxes by 14% over the previous year to attain an EBITDA margin of 12%. Offering its customers the highest number of calling minutes with an average monthly MoU of 322 minutes, Avea has a 24% market share of total mobile phone traffic.

Avea cooperated with world famous phone manufacturers to offer its customers state-of-the-art mobile phones. As a result of around 100 brand collaborations, it delivered millions of customers not only mobile communications but also value added services.

ADSL	2008	2009	2010	2011	Change (%) 2010-2011
ADSL Wholesale Connections (millions)	5.8	6.2	6.6	6.8	3
ADSL ARPU (TL)	26.2	31.2	32.7	36.3	11

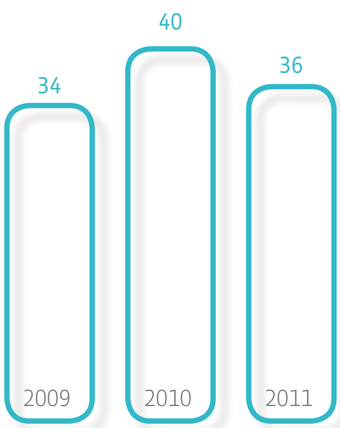
Türk Telekom continued to make fiber investments to improve its infrastructure and service quality on the fixed broadband side in order to offer DSL users higher quotas and speed. The Company reached a domestic fiber infrastructure about 150 thousand km. The number of ADSL wholesale connections increased by a net 170 thousand over the previous year. The share of subscribers utilizing rapid ADSL packages of up to 8 Mbps came to account for 89% of the total. As a result of upselling trends and inflationary price adjustments, annual ADSL ARPU increased 11%. Another noteworthy development in the DSL field was the increase in data usage per person. In the last two years, monthly data use jumped by 95% and users with unlimited capacity subscribers reached 62% of total subscribers.

TTNET stood out as an ISP with investments in content and quality. TTNET has an 85.84% market share among fixed Internet service providers, as of last quarter 2011. Besides Internet, TTNET also delivers value added services to millions of customers such as TV - especially under its brand - Tivibu and music, video and game portals.

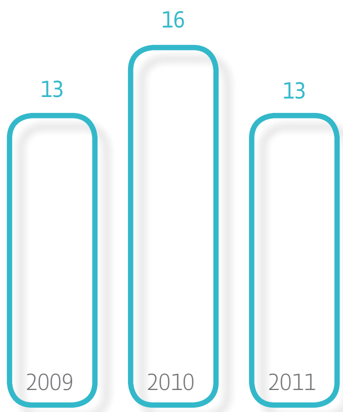
Main Performance Indicators

Main Financial Ratios	2008	2009	2010	2011
Return on Equity (%)	31	34	40	36
Return on Assets (%)	13	13	16	13
Total Debt/Equity Ratio (%)	148	147	145	180
Net Financial Debt/EBITDA (%)	55	74	62	86
Financial Debt/Equity (%)	68	73	68	93
Financial Debt/Total Debt (%)	46	50	47	51
Financial Debt/Total Assets (%)	27	30	28	33
Total Debt/Total Assets (%)	60	60	59	64

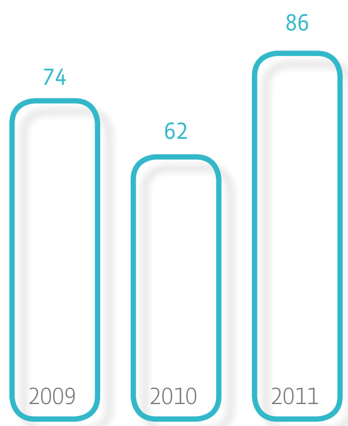
Return on Equity (%)



Return on Assets (%)



Net Financial Debt/EBITDA (%)



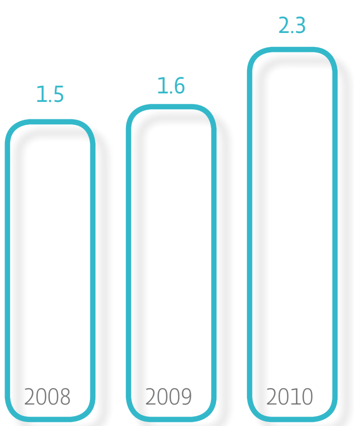
In 2011, depreciation of TL against USD and EUR resulted in an increase of Türk Telekom's financial indebtedness level, in comparison with 2010. Increased net financial expenses caused a decrease in return on equity and an increase in ratios related to indebtedness.

Capital Expenditure

Capital Expenditure (TL million)	2008	2009	2010	2011	Change (%) 2010-2011
Total Capital Expenditure	1,756	2,482	1,733	2,297	32
Capital Expenditure (Excluding 3G License Payment)	1,756	2,032	1,733	2,297	32

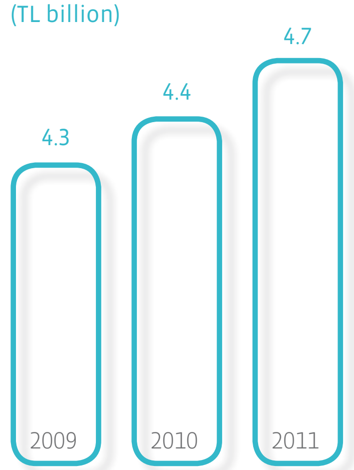
Türk Telekom continued investing in fixed line and mobile businesses with capital expenditures of TL 2.29 billion in 2011; total capital expenditures reached TL 11 billion over six years.

Dividend Distribution
(TL billion)



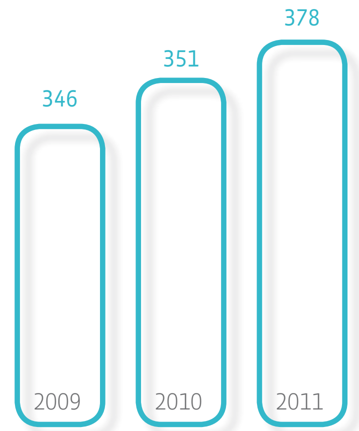
5.4 Ranked top of the ISE dividend Index, Türk Telekom has paid out more than TL 5 billion in dividends since 2008.

Taxes Paid by Year
(TL billion)



4.7 In 2011, Türk Telekom Group contributed TL 4.7 billion to the public finances, including taxes paid to the state and the treasury share.

Social Security (SGK) Premium Payments (TL million)



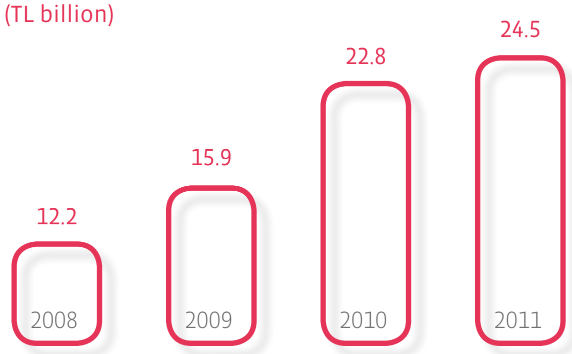
8% In 2011, Türk Telekom Group increased its social security premium payments to the SGK by around 8% to TL 378 million.

Share Information

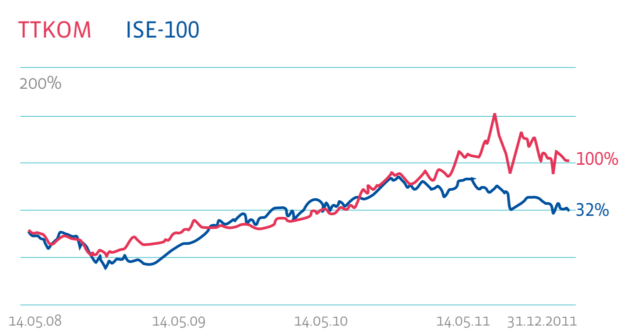
Trading under the TTKOM ticker symbol, Türk Telekom ranks among the companies with the highest trading volume on the ISE.

Corporate Name	Türk Telekomünikasyon A.Ş.
Core Business	**Telecommunications and Technology Services**
Stock Exchange	**Istanbul Stock Exchange (ISE)**
ISE Ticker	**TTKOM**
Bloomberg Ticker	**TTKOM TI**
Reuters Ticker	**TTKOM IS**
Initial Public Offering (IPO)	**15 May 2008**
Free Float	**15%**
Outstanding Shares	**525,000,000**
Average Daily Trade Volume (01/01/2011-31/12/2011)	**TL 15,948,585.70**
Market Capitalization (31/12/2011)	**TL 24.50 billion**
Gross Dividend Per Share 2011	**TL 0.5419**
Net Dividend Per Share 2011	**TL 0.4606**
Closing Price (31/12/2011)	**TL 7.02**
Highest Share Price (01/01/2011-31/12/2011)	**TL 9.38**
Lowest Share Price (01/01/2011-31/12/2011)	**TL 6.38**
International Securities Identification Number (ISIN)	**TRETTLK00013**

Türk Telekom Market Capitalization
(TL billion)



Türk Telekom ISE Performance



8% TTKOM share price increased 8%, outperforming the ISE in 2011.

"These awards are a result of the diligent efforts of a very successful management team and thousands of Türk Telekom employees."

K. Gökhan Bozkurt
Türk Telekom CEO - General Manager

Awards

Golden World Awards

Türk Telekom Triple Awarded at IPRA

Turkey's leading communications and convergence technologies company Türk Telekom, made a significant achievement at the International Public Relations Association's Golden World Awards event by receiving three awards for its communication efforts around the Ev Gibisi Yok ("Nowhere Like Home") concept and the Ev Avantaj ("Home Advantage") tariff. Türk Telekom was presented an award in the category "Consumer Public Relations for an Existing Service" for the campaign Ev Gibisi Yok ("Nowhere Like Home"), and in the category "Reputation and Brand Management" for Ev Avantaj ("Home Advantage") tariff, as well as a Special Award in the category "Creativity". As a company constantly delivering value with its customer-focused products and services, Türk Telekom has once again confirmed its achievement in communications in the international arena.

International Business Awards

Türk Telekom Named Much Commended Company at the Stevies 2011

With its innovative practices, and value creating products and services, Türk Telekom received five grand prizes and 11 honors prizes at the International Business Awards, for a total of 16 awards. Additionally, in a vote among Stevie-winner companies, the Company collected the highest number of votes cast to receive the People's Choice Stevie Awards for Favorite Companies in the Telecommunications category. Türk Telekom received grand prizes in the categories Customer Services Executive of the Year, Internal Communications Department of the Year, Corporate Communications Department of the Year, Best In-House Awareness/Motivation Event and Creative Video - Film.

Galaxy Awards

Türk Telekom Schools Project Presented Awards

At the US-based Galaxy Awards, where 600 projects from 22 countries compete, Türk Telekom, received six awards including the Grand Prize. Organized by MerComm Inc., the Galaxy Awards are one of the world's most important awards in product and service marketing. At this prestigious event, the Türk Telekom Schools Project received both the Grand Prize and a Gold Prize; the Türk Telekom Internet Houses Project was presented a Silver Prize and Türk Telekom Schools Commercial Film an Honors Prize. The Value to Turkey campaign gathering Türk Telekom's entire social responsibility projects under a single umbrella brought Türk Telekom a Silver Prize and a Bronze Prize.

World Finance Magazine Awards

K. Gökhan Bozkurt Named CEO of the Year, Türk Telekom Becomes Best Fixed Line Operator

At the World Finance Magazine Awards, organized by the UK-based international business magazine World Finance and considered one of the world's most prestigious business awards, Türk Telekom CEO K. Gökhan Bozkurt was named CEO of the Year and Türk Telekom the Best Fixed Line Operator. K. Gökhan Bozkurt emphasized that, "These awards are a result of the diligent efforts of a very successful management team and thousands of Türk Telekom employees."

IR Global Rankings

Best Investor Relations Website in the Telecommunication Industry

Türk Telekom put its signature on the 13th edition of the IR Global Rankings (IRGR) held in 2011, by ranking first in the category Best Investor Relations Website in the Telecommunication Industry. In this survey covering hundreds of companies from across the world, Türk Telekom came in second in the category Best Online Annual Report in the Telecommunications Industry. In the IRGR ranking, Türk Telekom had previously been named one of the Best Investor Relations Websites in Europe.

Turkey Investor Relations Awards

Grand Prix Goes to Türk Telekom

In the third annual Turkish Investor Relations Awards, organized by Acclaro and Thomson Reuters, Türk Telekom won the Grand Prix Award, as well as four first prizes and one second place prize. Türk Telekom stamped its name on the awards ceremony comprising eight categories by ranking first in the Best Investor Relations Officer, Best Investor Relations Website, Best Investor Relations Department, Best Public Disclosure and Transparency, and second in Best Communication of Financial Results.

2011 Turkey Carbon Disclosure Leadership

Türk Telekom Becomes the First Leader of Turkey Carbon Disclosure Leadership Project

Türk Telekom was presented the "2011 Turkey Carbon Disclosure Leadership" Award, organized for the first time in Turkey by Carbon Disclosure Project, which shares greenhouse gas emission data of public companies across the world with corporate investors.

Best Business Awards

"Welcome on Board" Receives Strategic Design Award

Once again, Türk Telekom received a prize at the UK-based prestigious award organization Best Business Awards. The award went to the creative and strategic approach in the "Welcome on Board 2011" event, an internal communications event targeted at employees. Türk Telekom's internal communications effort around the "Welcome on Board 2011" meeting gathering 3,357 new members of the Türk Telekom family was deemed worthy of the Best Strategic Design award.

Global Telecoms Business's GTB Power 100

Kanafani Once Again in the Top 100 Executives List

Türk Telekom's Group CEO Hakam Kanafani was named one of the 100 most powerful executives in the global telecommunications industry. In 2011, Kanafani once again made it to the GTB Power 100 list, released for the fourth time by the leading magazine of the telecommunications industry, Global Telecoms Business.

League of American Communications Professionals

Value to Turkey

The US-based League of American Communications Professionals selected Türk Telekom's documentary film "Stories Worthy of Turkey", in which youngsters whose lives changed with Türk Telekom's social responsibility projects under the brand "Value to Turkey" recount their own success stories, as one of the world's top five communications projects, and presented it the Platin Award in the "Community Relations" category. Türk Telekom's communications efforts under its sustainability sustainability strategy received the Gold Prize in the "Corporate/Organizational Communications" category.

Annual Report

In a Global Breakthrough, Türk Telekom Placed its Stamp on the Prestigious 2010/11 Vision - Annual Reports Awards Organized by the US-Based LACP

The competition jury evaluated the applications of over 5,000 companies across the world according to their industry and size. The 2010 annual report of Turkey's leading communications and convergence technology company Türk Telekom was chosen as "The World's Second Best Annual Report" in global rankings, and also presented the Platin Prize and the "The World's Best Annual Report" in the telecommunications industry rankings. The report has also been ranked 3rd in Best Online Annual Report in the world.

Projects worthy of Turkey

28 **thousand athletes**

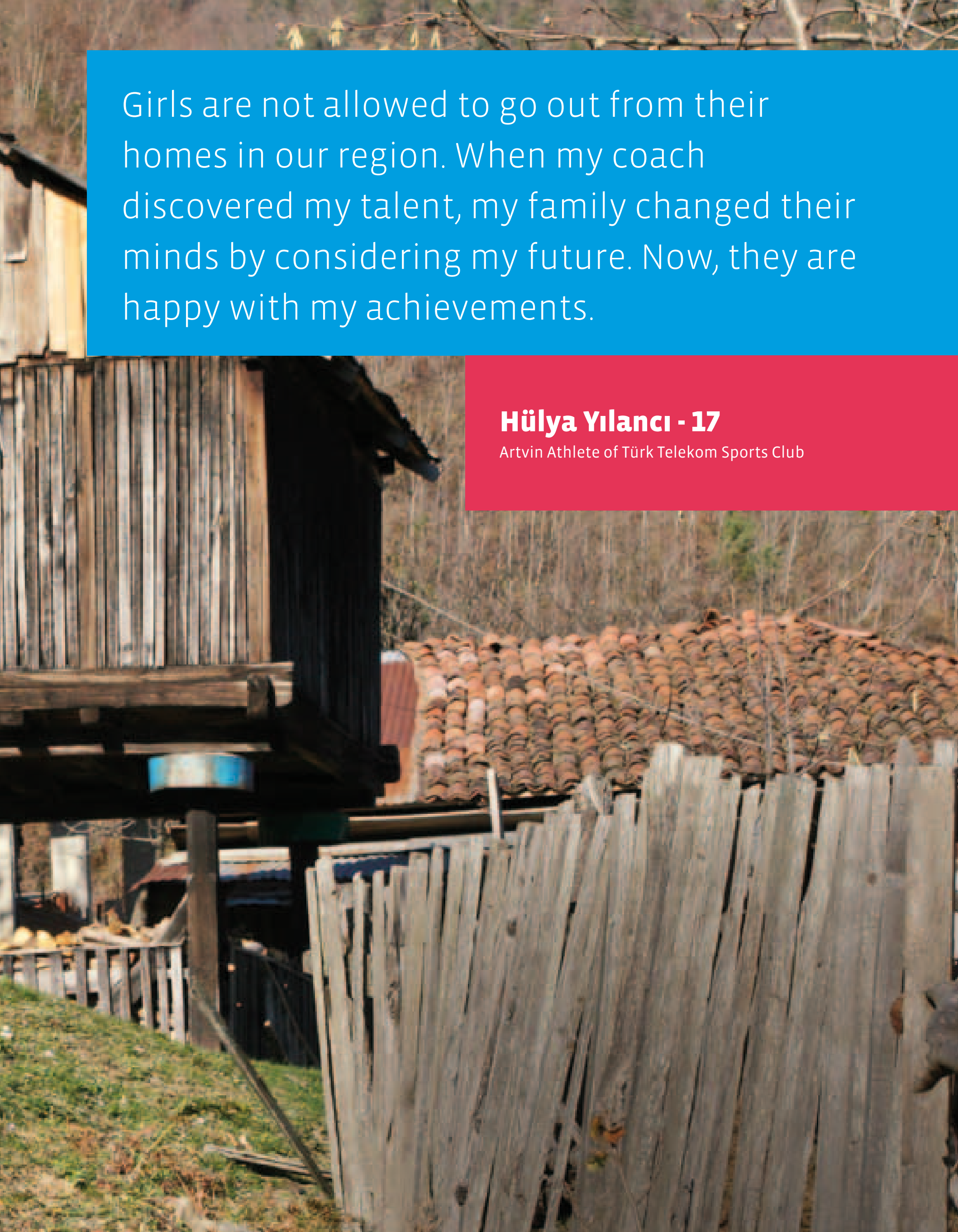
Trained 28 thousand young athletes in 10 years

Türk Telekom Amateur Sports Clubs

Understanding that sports can help young people to develop their communication skills, Türk Telekom trained 28 thousand young athletes in 10 years with infrastructure investments for sports. Hundreds of these athletes had the honor to be elected for the national team and represented Turkey in international championships and achieved great success.

Girls are not allowed to go out from their homes in our region. When my coach discovered my talent, my family changed their minds by considering my future. Now, they are happy with my achievements.

Hülya Yılancı - 17
Artvin Athlete of Türk Telekom Sports Club



Hülya comes from a region where local people do not allow girls to become involved in sports; she went on to become a champion in Turkey and a national athlete. The aim of Artvin Türk Telekom Sports Club is to train successful athletes to become Olympics champions in 2016.

Hülya Yılancı was born in 1995 in the Borçka district of Artvin. She is in her third year at Borçka Vocational High School for Commerce. Hülya started practicing judo in 2005. Hülya's life changed course thanks to the efforts of her teacher, who discovered her talent despite her family's disapproval of girls' becoming involved in sports. She started practicing judo in the corridors of the Yeniyol Primary School, on the bed mattresses her teacher brought over from the Regional Boarding School. It's been five years since the time she had to sneak out to go to workouts and matches, because her grandfather would not give her permission.

In this period, Hülya Yılancı came in first in the Turkish U21 Championship, third in the Europe U21 Cup and she won numerous medals in a number of national competitions. Most recently, she won a gold medal at the 18th Nazım Canca U21 European Judo Competition.

Projects worthy of Turkey

42 **sports clubs**

Support to 22 branches in 42 sports clubs

Türk Telekom Amateur Sports Clubs

As one of Türk Telekom's most important social responsibility projects carried out within the scope of "Türkiye'ye Değer" brand, Türk Telekom Sports Club stands out with its investments in sports infrastructure and with the successful athletes trained. Türk Telekom Amateur Sports Clubs still support 6 thousand athletes and train athletes in 22 different branches including badminton, tennis, fencing, ski, athletics and cycling, as well as in popular mass sports like football and basketball.

My disability never disabled me, but enabled me for more. I say to myself, “I do, I can do”. I want to represent our country in the international arena as a good athlete.

Betül Özen - 14
Çanakkale Athlete of Türk Telekom Sports Club

The life of Betül, who was born without a right arm, has changed with the discovery of her talent for sports. Betül started to play basketball in the Çanakkale Türk Telekom Sports Club and soon became one of the important players of her team.

14 years old, Betül Özen is an eighth grade student at Çanakkale Private İsmail Kaymak College. Betül was born without a right arm, but she has grabbed on to life from the age of five with her mechanical arm and hand. Betül's life changed radically four years ago, when her talent for sports was discovered at the primary school. Her school principal and physical education teacher saw her playing volleyball, and encouraged her to join the school's basketball team. In no time, she stood out with her successful performance, became a star player of the team, and eventually joined the Türk Telekom Sports Club. Betül plays piano and organ, and is also a skilled swimmer.

Betül says that she has never felt inferior because of not having a right arm and wants to represent Turkey in international competitions as a talented athlete.

Projects worthy of Turkey

1,000 **internet houses**

1,000 internet houses in all districts throughout Turkey

Türk Telekom Internet Houses

Implementing social responsibility projects within the scope of “Stories Worthy of Turkey”, Türk Telekom also established internet houses offering free internet service throughout the country with the understanding, “There is no future without education, and no education without the internet”. To date, 1,000 Türk Telekom Internet Houses were opened throughout the country, each with 20 fully equipped computers with broadband internet access.

I used to go internet cafe in order to do my homework. Now, I go to Türk Telekom Internet House and prepare my lessons much better.

Naime Durak - 11

Türk Telekom Internet House user

Naime suffers from rheumatic heart disease limiting her physical activities. Naime opens a big window to the world with the internet she accesses from Türk Telekom Internet House.

Naime Durak is one of the students who frequently visits Türk Telekom's 1,000 Internet houses spread across Turkey. Naime is a fifth grade student at a primary school in Kütahya and she has rheumatic heart disease. Her movements are limited due to her disease; she cannot run or practice any sport. Since she does not have a home computer, Naime spends her free time at Türk Telekom Internet House, and uses the Internet to further her studies. She is a very successful student and has top grades in all subjects. Naime's two siblings are also at school; however, their father is a construction worker and has difficulty paying for their education.

Naime says that Kütahya Internet House is a great place to study and she wants to become a police officer in the future.

Assessments of the Management

As we are embarking on the seventh year of privatization of Türk Telekom, our Group results continue to be the leading benchmark for telecom privatization projects regionally and worldwide.

Message from the Chairman

We are embarking on the seventh year of privatization of Türk Telekom. I am pleased to report that our success continues to be the leading benchmark of telecom privatization projects regionally and worldwide.

Throughout 2011, Türk Telekom Group continued to further expand its investment activities, leading it to once again report a very successful performance in terms of both financial and operational results. Investing TL 2.3 billion during the year, Türk Telekom Group posted around TL 12 billion in revenue and TL 2 billion in net profit as of year-end.

The Group also enhanced further the diversity and quality of its service levels by undertaking new infrastructure investments, with a special focus on fixed and mobile networks.

We place great importance on investing in human resources; in 2011 we recruited over 7,000 talented employees, most of whom were new university graduates. The Group expanded by opening new centers, particularly for Research & Development, and invested in Turkey's future by adding new engineers to our corporate family.

Innovation is a key driver of our plans and direction; innovation in service, innovation in products, and innovation in corporate social responsibility.

Our main target is to reinforce our leadership in communications services by generating unique value with new convergence technologies. In order to achieve this target, we continue to invest in innovative technology and human resources to attain the highest level of customer satisfaction with enhanced service quality.

In 2011, Türk Telekom and Group companies not only achieved successful operational results, but also initiated exemplary projects in the field of social responsibility. We are committed to doing our utmost to provide a richer and more pleasant life for tomorrow's generations, with regards to education, environmental, and sports projects that enhance society across Turkey.

Investing TL 2.3 billion during the year, Türk Telekom Group posted around TL 12 billion in revenue and TL 2 billion in net profit as of year-end.

I would like to express my sincere gratitude to the Board of Directors and to all our employees for their contribution in achieving such results for Türk Telekom Group in 2011. Looking to the future, we will continue to build on our achievements to date, grow and invest in our business units, support and serve our customers with integrity and enthusiasm while we continue to create value for all our shareholders.

Mohammed Hariri
Chairman of the Board of Directors

7 thousand
New Türk Telekom Group Employees

Last year we recruited 7,000 employees.

2.3
billion Investment

Türk Telekom Group invested TL 2.3 billion in the year 2011.

Türk Telekom Board of Directors

Mohammed Hariri
(1958)

Holding a degree in Business Administration from the University of Ottowa, Mohammed Hariri has been a member of the management of Saudi Oger Ltd. for more than 25 years.

He holds seats as chairman or member of the boards of directors of various Saudi Oger subsidiaries in a number of countries and industries such as telecommunications, construction, energy and air transport.

Elected as a member of the Board of Directors of Türk Telekom in November 2005, Hariri served as the Chairman of the Audit Committee between June 2008 and April 2009, and has been serving as the Chairman of the Board since April 2008 and as the Chairman of the Executive Committee since April 2009. Hariri is also the Chairman of Oger Telecom Limited and Türk Telekom Group's mobile communications company "AVEA".

İbrahim Şahin
(1962)

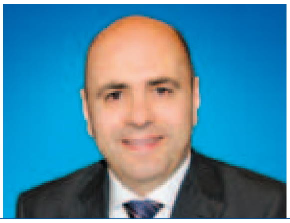
After graduating from the Faculty of Law, Ankara University, İbrahim Şahin served in various positions at the Ministry of Interior, and worked as an advisor at the Ministry of Transportation and then as PTT General Manager and the Undersecretary to the Ministry of Transportation. Şahin was a member of the Statutory Audit Board of Türk Telekom between December 2002 and June 2007, and a member of the Audit Committee between June 2008 and April 2009. He has been the Vice Chairman of the Board of Directors since June 2007, and the Vice Chairman of the Executive Committee since April 2009. He is a board member of Türk Telekom Group's mobile communications unit "AVEA". Şahin has been the General Manager of TRT since November 2007.

Abdullah Tivnikli
(1959)

After getting his B.S. in Mechanical Engineering from Istanbul Technical University, Abdullah Tivnikli completed an MBA at the same university. Following his involvement, upon invitation by the public authority, in the development of the legal infrastructure for the participation banking model in Turkey, he actively took part in the establishment of Albaraka Türk Participation Bank. He was a member and subsequently the vice chairman of the Board of Directors of Kuveyt Türk Participation Bank. He is presently in the management of Eksim Group, as well. Tivnikli has been serving as a Board Member of Türk Telekom since November 2008 and member of Executive Committee since April 2009. Tivnikli is also a Board Member at Türk Telekom Group companies, TTNET and Avea; and the Vice Chairman of the board of directors of Argela, AssisTT, Innova and Sebit.

Mehmet Habib Soluk
(1950)

After graduating in Mechanical Engineering, at Yıldız Technical University, Mehmet Habib Soluk served in various positions at Denizcilik Bank and Türkiye Gemi Sanayi A.Ş. Camialtı Shipyard. He worked as the Investment Planning and Supervision Branch Manager at the Coastal Safety Authority; Head of Research, Planning and Coordination Department at the Undersecretariat for Maritime Affairs; Assistant General Manager for PTT; General Manager at the Coastal Safety and Ship Rescue Authority; and Deputy Undersecretary and he is now the Undersecretary to the Ministry of Transportation. Between November 2008 and March 2011 he served as a member on the Board of Directors of Türk Telekom. He also served as a member on the Audit Committee of Türk Telekom between April 2009 and March 2011. He holds seat as a member of the Board of Türk Telekom since July 2011 and Audit Committee since November 2011.

Hakam Kanafani
(1965)

Holding Beta Gamma Sigma honors, Kanafani is a University Trustee Scholar graduate from the University of Maryland, College Park, with a B.A. in Economics and a B.Sc. in Management Information Systems. Kanafani holds an MBA with a 4.0 GPA. He continued his Executive Education at Harvard Business School.

Upon graduation he joined the Information Technology team based at Goddard Space Flight, NASA, Maryland. He then moved to the Middle East as the Business Development Director for Egypt's oldest running private holding company "MM Sons Conglomerate". He spearheaded the conglomerate's efforts to establish growing ICT enterprises through mergers and acquisitions. Then he was appointed CEO of Jawwal, Palestine's first private cellular network. Later Kanafani became Chief Operating Officer of the PalTel Group, where he led strategy, acquisitions and synergy for the Group. Lastly, he was the Chief Business Development and Synergy Officer for Oger Telecom.

Hakam Kanafani has been Türk Telekom Group's CEO since August 2010 and member of Türk Telekom's Executive Committee and Board of Directors since October 2010. Kanafani is a member of the Board of Directors of Türk Telekom Group's mobile communications unit "AVEA." He is the Chairman of the Board of Directors for Türk Telekom Group subsidiaries: TTNet, Pantel International Group, Argela, AssisTT, Innova and Sebit. Kanafani is in GTB's Power100 list for Telco executives worldwide.

Rami Aslan
(1972)

Rami Aslan holds a Bachelor of Commerce degree in Finance and Management Information Systems and MBA from McGill University, Canada. Prior to joining Saudi Oger in 2005, Aslan worked over 12 years in North America, Europe and the Middle East with MetLife, TD Bank, and most recently Citigroup. Aslan currently serves as Senior Advisor to the Chairman Mr. Mohammed Hariri on all Corporate Finance and banking requirements of the Saudi Oger Group including Telecom as well as the Banking and Insurance activities.

Aslan spearheaded many of Oger Telecom's initiatives, funding arrangements and partnerships. He manages the relationship with key partners, shareholders, and co-investors who participated in the establishment of Oger Telecom Ltd. and its other subsidiaries. As part of his mandate, Aslan leads and/or co-leads most large financing and capital market activities at Oger Telecom and its Turkish and South African subsidiaries and continues to manage key banking relationships for the group in coordination with the respective CFOs and corporate finance teams. Aslan serves on several boards in the group, including Oger Telecom Ltd., Türk Telekom, Innova, Cell-C, 3C Communications, and MedGulf Jordan.

Ghassan Hasbani
(1972)

Holding an honors degree from the UK's University of Hull, Faculty of Engineering, Ghassan Hasbani obtained his MBA from University of Westminster. As a member of Great Britain's Institution of Engineering and Technology, Hasbani is a chartered engineer. He worked in leading telecoms and technology companies including Nortel Networks and Cable & Wireless, and rendered served for over 10 years in the Middle East. Aside from the Middle East, he also had experience in European, Southeastern Asian and Latin American markets. He held office as Director of the Middle East Communications and Technology Department at Booz&Company, a global management and consultancy firm. Currently he is the Group CEO responsible for International Operations at Saudi Telecom Company. Hasbani was appointed a Board Member and the Chairman of the Audit Committee of Türk Telekom in February 2011. He is also a Board Member at Ojer Telekomünikasyon A.Ş.

Saad Bin Dhafer Al-Qahtani
(1964)

Dr. Saad Bin Dhafer Al-Qahtani is currently the Group Chief Strategic Officer at Saudi Telecom Company (STC). He has been with STC since 1986 and was the Vice President of Residential Sector Services and Marketing, Sales &Customer Service before being appointed to his new position in June 2011. Saad is behind STC's success story of multiplying the number of Broadband Subscribers from 150 thousand at the beginning of 2007, when he was assigned as VP Home BU, to over 1.8 million by the end of 2010 equivalent of more than six million internet users and the creation of the AFAQ DSL and Broadband Jood packages, IPTV brand for the first time in Saudi (Invision), the first FTTH package in the market (Verve) which help greatly increase broadband penetration and enrich STC's competitive position in Saudi Arabia. He headed the major project of STC Strategy Building. He was awarded the "Best Marketing General Manager Award" by Arabian Business in 2004 under the sponsorship of His Royal Highness Governor of Riyadh District. He has been an active member in STC's leadership team responsible for implementing the new Customer Centric operating model, through developing and driving key customer retention and loyalty programs. Saad is also on the board of Türk Telekom, Avea and the board of INTIGRAL (STC content) which is a Content Joint Venture holding company in Dubai. In addition, Saad is a board member of Call Centers Company (CCC) and Pantel (Infrastructure and Wholesale Voice Services).

Saad is member of the UN Broadband Commission for Digital Development. Saad holds a Doctorate Degree in Business Administration from Nottingham University, an MBA from KSU, and a Bachelor of Engineering from KFUPM.

Board Of Directors and Committees

Suat Hayri Aka
(1960)

After graduating from the Maritime Faculty, Istanbul Technical University (İTÜ), Suat Hayri Aka received his master's degree in Maritime and Port Management, University of World Maritime. Aka worked as an engineer of sea lines and master at D.B. Deniz Nakliyatı T.A.Ş. between 1982 and 1987 and then as the Chief of Chartering between 1987 and 1991. He was the operation manager in Furtrans - Furtrans Denizcilik Group companies between the years of 1991 and 1992 and then he was appointed CEO and became co-founder of Metro Denizcilik Ltd. and its subsidiaries. Aka, who was an academician at the faculty of İTÜ naval architecture and ocean engineering between 1994 and 2006, held seats as chairman or member of the boards of directors of the Coastal Safety Company, Turkish Republic of Northern Cyprus (TRNC) from 2003 to 2007. He has been serving as a board member of Türk Telekom Group's mobile communications unit "AVEA" since May 2007 and still holds his position at Deputy Undersecretary of Civil Aviation and International Relations in addition to EU permanent contact point. Aka is a board member of Türk Telekom since November 2011.

Süleyman Karaman
(1956)

Süleyman Karaman completed his undergraduate and graduate studies at Istanbul Technical University's Faculty of Mechanical Engineering. From 1979 to 1981, he participated in prototype work, improvement efforts and compliance testing of the first Turkish tractors and agricultural machinery manufactured by the private sector. In 1981, he started to work as an assistant at ITU's Faculty of Mechanical Engineering; until 1984, he worked on his PhD and as an Assistant Lecturer at the same university, delivering classes in technical drawing and mechanics. Between 1984 and 1994, he served the automotive auxiliary industry in such positions as Assistant Plant Manager, Plant Manager, Assistant General Manager and Board Member. In 1994, he was appointed to the Istanbul Metropolitan Municipality's Istanbul Electric, Tramway and Tunnel Administration (İETT) as Assistant General Manager. In 2001, he became a Consultant to the General Manager at İETT, before being appointed General Manager and Chairman of Turkish State Railways (TCDD) in 2003. In 2012, he took office as the Vice Chairman at TTNET, the internet service provider of Türk Telekom Group. Karaman has been serving as a member of Türk Telekom Board of Directors since November 2011.

Members of the Board of Directors worked during the Period

Under the Board of Directors resolution dated 08.02.2011, the resignation of Board Member - Samir Asaad O. Matbuoli was approved.

Under the Board of Directors resolution dated 08.02.2011, the resignation of Board Member - Dr. Paul (Boulos HB) Doany was approved.

Under the Board of Directors resolution dated 10.03.2011, the resignation of Board Members representing the Treasury, Ali Arıduru and İsmet Yılmaz, was approved.

Committees of the Board of Directors

Executive Committee

The Executive Committee was established pursuant to the decision taken during the Board of Directors Meeting of April 9, 2009. The Chairman of the Committee is Mohammed Hariri, its Vice Chairman is İbrahim Şahin, and its members are Abdullah Tivnikli, Hakam Kanafani and Saad Bin Dhafer Al-Qahtani.

Audit Committee

Chaired by Samir Asaad O. Matbuoli, the Audit Committee is comprised of Dr. Paul (Boulos H.B.) Doany and Mehmet Habib Soluk. In 2011, Samir Asaad O. Matbuoli was replaced by Ghassan Hasbani as Chairman, and Dr. Paul (Boulos H.B.) Doany by Rami Aslan; in addition, Mehmet Habib Soluk was appointed as member. The charter of the Audit Committee was updated with a Board of Directors decision dated June 23, 2011. As per Article 10 of the charter, the Audit Committee meets at least four times a year, and holds the right to hold extra meetings when it is required. The meetings are held quarterly, before the release of financial statements.

Statutory Audit Board

Efkan Ala

Statutory Auditor (1965)

Efkan Ala holds a degree from Istanbul University and an M.A. degree from Karadeniz Technical University. After assuming various positions in local government, he served as governor in a number of Turkish cities: Ordu, Tunceli, Batman, and Diyarbakır. Ala worked as Manager of the Education Office at the Ministry of Interior, Manager of the Education Office at the Ministry of Tourism, and Consultant to the Ministry of Tourism. He holds office as the Undersecretary to the Prime Minister since 2007. Ala has been a statutory auditor at Türk Telekom since March 2008.

Prof. Dr. Aydın Gülan

Statutory Auditor (1962)

After obtaining his degree in law from Istanbul University, Aydın Gülan started to work as a research assistant at the Department of Administrative Law of the same university. In 1987, he obtained his master's degree upon submission of his thesis on "Public Service and Implementation Procedures". He started pursuing his doctoral studies at the Institute of Social Sciences at Istanbul University. He conducted doctoral research at the Bourgogne University in France in 1989 and 1990. In 1995, he received his PhD with a thesis entitled "The Legal Regime Governing the Procedures of Public Property Use", later printed as a book. He was appointed assistant professor in 1996 and became associate professor in 2000 with his thesis "The 'Dough Rule' in the Turkish Zoning Law (A Theoretical Approach to the Implementation of Article 18 of the Development Law no. 3194)". He became professor in 2008. He currently serves as a faculty member at the Department of Administrative Law of the same university. Gülan has been serving as a statutory auditor at Türk Telekom since November 2008.

Lütfi Aydın

Statutory Auditor (1960)

After completing his bachelor's degree in Faculty of Theology at Marmara University, Lütfi Aydın obtained a master's degree in management of public enterprises from Istanbul University. Following various positions in local government, he held office as director of different departments in the Ministry of Culture and the Ministry of Transport. Working as the Assistant General Manager at the Ministry of Transportation, General Directorate of Communications since 2003, Aydın has been a statutory auditor at Türk Telekom since February 2011.

We shall remain committed to quality, and strive to cater to all the communication needs of our clients.

Message from Türk Telekom Group CEO

Türk Telekom Group showed an impressive financial and operational performance in 2011. We increased both fixed and mobile revenue and expanded our customer portfolio and product and service network through investments. Compared to 2010, our consolidated revenue and operational profit increased 10% to TL 12 billion and by 6% to TL 3.5 billion, respectively. In 2011, we posted over TL 2 billion in net profit.

Last year we invested TL 2.3 billion with the vision of developing innovative and effective products and services. With 15.2 million fixed line, 6.8 million broadband and 12.8 million mobile customers, we stand out as the leading operator in Turkey and a prominent operator in the region. With over 2,000 exclusive dealerships and offices, we deliver Türk Telekom, AVEA and TTNET products and services to our customers throughout Turkey. We play an important role in making Turkey the regional communication hub with our fiber-optic infrastructure exceeding 170 thousand kilometers in Turkey and the region.

We succeeded in expanding our revenue and subscriber base significantly in the mobile and fixed broadband markets in the face of intense competition. The share of mobile and fixed broadband revenues in total revenues exceeded 50% for the first time since privatization, all with a focus on bundled products, single billing features, convergence and loyalty programs.

In 2011, we increased average revenue per ADSL user by 11 percent, and the number of ADSL users by around 200 thousand. TTNET expanded its product portfolio by offering millions of subscribers a quad play package featuring fixed Internet, mobile 3G Internet, TV and complimentary WI-FI access.

The Group's mobile communications company AVEA achieved a significant improvement in service quality by generating TL 3 billion in revenue and reaching EBITDA growth of 14% in 2011. We expanded our mobile subscriber base by 10 percent, with 1.1 million net customer gains. AVEA's Average Revenue per User increased 7% thanks to innovative tariffs and value added services, as well as cross sales & marketing campaigns by Türk Telekom Group. Among all mobile operators, AVEA had the highest net gain of customers through number portability in 2011.

Other Group companies, which constitute the cornerstones of our information and communication technologies strategy, continued to grow via global partnerships and synergy. The Group companies offered new products and services in various areas such as TV, education, games and new generation communication technologies.

Türk Telekom Group is transforming into a synergistic organization with a consolidated vision and converged strategy.

Last year, the Group joined forces with Telefónica Germany and launched its new brand Türk Telekom Mobile in the German market. Türk Telekom Mobile is a critical milestone in our effort to expand our services beyond the borders of Turkey.

Türk Telekom Group remains one of the largest employers in Turkey with a 35-thousand-strong workforce. Our call center company AssisTT is Turkey's leading provider of call center solutions and continued to invest in its well-educated human resources. We continue to make contributions to the Turkish economy by providing career opportunities based on equitable recruitment criteria.

Our vision is clear and we remain focused and disciplined to grow and achieve. We shall remain committed to quality, and strive to cater to all the communication needs of our clients. I would like to extend my most sincere gratitude and thanks to all members of Türk Telekom Group family and to our stakeholders for their support for a very successful 2011.

Hakam Kanafani
Türk Telekom Group CEO

10%
revenue growth

Our consolidated revenue increased 10% in 2011.

1.5
million new additions

Our Group gained 1.5 million new subscribers in 2011.

Upgrading Turkey's international bandwidth from the gigabit league to the terabit league, Türk Telekom boosted the country's international bandwidth capacity 40-fold, from 30 Gigabit in 2005 up to 1,200 Gigabit in 2011.

Message from CEO - General Manager of Türk Telekom

As Turkey's leading communications and convergence company, Türk Telekom continued to add value to its clients, stakeholders, and Turkish economy and continued at full speed with its strategic investments focusing on Turkey's rise into a regional communication leader.

In 2011, we refreshed the fixed voice market with our new products and services. We offered millions of customers the chance to use their complimentary call minutes from the Home Advantage tariff in short and long distance calls, as well as campaigns featuring free-of-charge calls from 7 p.m. to 7 a.m. In addition, we joined forces with Turkish corporations leading their fields to launch campaigns to help bolster the family budget through home phones.

As for fixed Internet services, we started to offer Internet and data customers higher quotas and faster access with enhanced infrastructure and service quality. Millions of our fixed broadband customers opted for higher access speed and capacity. Our recently developed broadband services enabled customers to enjoy Internet packages at 50 Mbps and 100 Mbps.

Our investments brought the fiber-optic cable length in Turkey up to 150 thousand kilometers. In addition, we reinforced our overseas infrastructure with the boost provided by the infrastructure of Pantel, which we had acquired in 2010. Upgrading Turkey's international bandwidth from the gigabit league to the terabit league, Türk Telekom boosted the country's international bandwidth capacity 40-fold, from 30 Gigabit in 2005 up to 1,200 Gigabit in 2011. The TURCYOS II fiber-optic cable line connecting Turkey and the Turkish Republic of Northern Cyprus was launched in 2011 adding further momentum to our international voice and data transfer operations. We shall continue to transport more voice, video and data at higher speeds, quality and efficiency to our customers through such projects.

As always, our ultimate objective is to facilitate the lives of our customers, business partners and other stakeholders.

Türk Telekom provides employment opportunities in all 81 provinces in Turkey. It is essential for us to contribute to the development of Turkey through our human resource investments. In addition to our commercial operations, we also continued our corporate social responsibility initiatives based on our corporate citizenship approach. We touched the lives of millions of people with social responsibility campaigns in education, the environment and sports.

As a result of all these successful efforts, we experienced the honor of being named Turkey's most valuable brand in the survey "Turkey's Most Valuable Brands" for the third year in a row. We are keen to capitalize on our strong brand, convergence products and team spirit to enhance our services and create value in 2012. As always, our ultimate objective is to facilitate the lives of our customers, business partners and other stakeholders.

K. Gökhan Bozkurt
CEO - General Manager

40
times international bandwidth capacity

We boosted the country's international bandwidth capacity 40-fold, from 30 Gigabit in 2005 up to 1,200 Gigabit in 2011.

150
thousand kilometers of fiber-optic cable

Our investments brought the fiber-optic cable length of the network in Turkey up to 150 thousand kilometers.

Türk Telekom Group CEOs

1 2 3 4 5 6

Hakam Kanafani (7)
Board Member -
Member of Executive Committee
Türk Telekom Group CEO
Please see page 26

K. Gökhan Bozkurt (1971) (6)
CEO - General Manager
Kamil Gökhan Bozkurt has an economics degree from Bilkent University and a master's degree in economics from Johns Hopkins University. From 1999 to 2003 he served in an international financial corporation. In 2003, Bozkurt joined Ziraat Bank as Head of International Affairs and Subsidiaries, and was a board member at Ziraat Bank Moscow CJSC and Ziraat Bank International AG (Germany). Bozkurt then joined Halkbank as the Executive Vice President of Organization and Human Resources in 2004, and later also assumed the position of Vice President of Financial Corporations and International Banking. In this capacity, he played a crucial role in the merger between Halkbank and Pamukbank as project leader. Later, Bozkurt chaired the Privatization Committee of Halkbank, became the Vice Chairman of Birlik Insurance, and the Vice Chairman of KOBİ Girişim Sermayesi Yatırım Ortaklığı (SME Venture Capital Investment Partners). In 2006, he joined Türk Telekom as VP, Human Resources. Since 2010, he has served as the CEO of Türk Telekom. Bozkurt serves as the Vice-Chairman of the Supervisory Board of Pantel International Group and is a member of business associations such as TÜSİAD, YASED, DEİK, TBD, TKYD and TUBİSAD.

Erkan Akdemir (1963) (8)
Avea
A graduate of Hacettepe University, Department of Electronic Engineering, Erkan Akdemir completed his master's degree in telecoms at the University of Colorado. After holding positions at Enka and the Turkish Standards Institution (TSE), he took office at the State Planning Organization (DPT) as a telecom specialist, Consultant to DPT Undersecretary, and a board member at the Telecommunications Agency. From 2002 until after the privatization, he led important projects as the Chairman of Türk Telekom. Later on, he served as Chairman at Eurasiasat and Kablo Net, and then CEO at Cisco Systems. Akdemir later joined Avea and has served as the CEO since June 2009.

Tahsin Yılmaz (1968) (5)
TTNET
Tahsin Yılmaz graduated from METU, Department of Electric Electronic Engineering in 1989. He started his career in 1989 at Türk Telekom, and worked in companies offering telecoms products and services for 20 years. He held various executive positions at Turkcell, Telsim (Vodafone) and Aycell (Avea), and was in charge of medium and large scale projects at Nokia Siemens Networks from 2004 to 2008. Since March 2008 he has served as TTNET's CEO.

Gregg Betz (1970) (9)
Pantel
After receiving his MBA in finance, Greg Betz worked from 1992 to 1998 at Gerber Products Company as Regional Director. In 2000, he became Pantel's Director of Commerce and also served as Director of Operations at Euroweb between 2000 and 2006. From 2007 to 2008, he was Invitel's Head of Wholesale and International Services. Between 2008 and 2010, he served as the CEO of Invitel. He is the Group CEO of Pantel International and has been a member of Management Committee since 2010.

Adil Zembat (1956) (4)
AssisTT
After graduation from Business Administration, Academy of Economic and Commercial Sciences, Adil Zembat received his master's degree in export and marketing in the UK's Buckinghamshire College. He also completed a number of certificate programs, in business administration and management at Hummersmith & West London College, and in international business administration and management at Humboldt University in Germany and University of Cleveland in the USA. He started his professional career at Akbank and then worked at Scanmark (UK) as a marketing officer, at Anex Holding as a Regional Director of the Middle East, at Ankara Metropolitan Municipality's Belko A.Ş. as an Assistant General Coordinator, at Martek A.Ş. as the CEO, and at Vision Mode Gmbh (Germany) as the Chairman. From 2004 to 2008, he worked at Aztek A.Ş., his own company. In September 2008, he was appointed CEO of AssisTT A.Ş. He is a board member and founding chairman of a number of domestic and overseas business associations and NGOs.

Aydın Ersöz (1963) (11)
İnnova
Having graduated from Robert College in 1980, and from Princeton University's Department of Electric and Computer Engineering, Aydın Ersöz received his master's degree from Stanford University in the same department and started working in Silicon Valley. From 1988, he assumed various positions at IBM Turkey for five years. In

7 8 9 10 11

1993, he joined Info Otomasyon A.Ş. and held a number of managerial offices, including three years as CEO. He founded Innova Bilişim Çözümleri A.Ş. (Innova IT Solutions Inc.) in 1999. Ersöz shares the post of CEO with Ümit Atalay at Innova, since the company's acquisition by Türk Telekom A.Ş. in 2007.

innova

Ümit Atalay (1962) 10
İnnova

Ümit Atalay graduated in 1984 from METU's Department of Computer Engineering and started his business career in 1985 in Denmark, at ITT CR Systems. From 1989-1992, he held various positions at Alcatel in Germany and at Bell Northern Research at the UK, before returning to Turkey to serve Pamukbank as Head of Systems Security in 1992. From 1994, he served at Info Otomasyon A.Ş. as Director in charge of Public Operation for five years, and in 1999 he founded Innova, where he continues to serve as founding partner and Board Member. At Innova, he concentrated his efforts on public projects, large scale projects and technology development. Atalay has shared the post of CEO with Aydın Ersöz at Innova since 2007.

ARGELA

Bülent Kaytaz (1960) 3
Argela

After graduating from Marmara University, Faculty of Electric & Electronic Engineering, Bülent Kaytaz received his MIS and MBA degrees from the European University in Belgium. During his 10-year office at Alcatel, he managed prominent communications and Internet software development projects in Belgium, Norway and Turkey. After working for five years at Nortel, he established Oksijen Teknoloji, a provider of infrastructure components for wired/wireless communication networks. The company displayed rapid regional growth and rose to prominence in the global and Turkish telecoms sectors during its three years of operation. Later, Kaytaz found Argela.

Capitalizing on his global vision, success in R&D, domestic and overseas experience of over 25 years in design and business development, Kaytaz rapidly ensured a prominent position for both companies, which stood out with their innovative and creative practices. Kaytaz still serves Argela as founder and CEO, is a guest lecturer at Marmara University's Department of Computer and Communications Engineering, and gives various seminars at Koç University and Özyeğin University.

sebit

Ahmet Eti (1967) 1
Sebit

After graduating in 1988 from METU's Department of Electric and Electronic Engineering, Ahmet Eti received his master's degree from the same department in 1991. From 1988, he worked in a number of domestic and international seminars and workshops on multiple media and education technologies. He started his business career in 1988 at TÜBİTAK's Ankara Electronic Research Institute as assistant researcher; and later became researcher, project manager and group project coordinator. From 1996 to 1999, he served as CEO of Sevgi Eğitim ve Bilgi Teknolojileri A.Ş., (Sevgi Education and Information Technologies Inc.) cofounded by TÜBİTAK and the industry, and launched such projects as Piri the Explorer Ship and Akademedia Education Set. In 1999, he founded Sebit Eğitim ve Bilgi Teknolojileri A.Ş. (Sebit Education and Information Technologies Inc.). He still serves as CEO and Board Member of this company. A member of Institute of Electrical and Electronics Engineering (IEEE) and the Association for Computing (ACM), Eti was named Creative and Innovative Entrepreneur at Üzeyir Garih World Young Entrepreneur Businessman Competition in 2011 and received the Prof. Dr. Mustafa N. Parlar Education and Research Foundation's Award for Promotion of Technology in 2004.

SOBEE STUDIOS

Mevlüt Dinç (1955) 2
Sobee

Mevlüt Dinç started developing games in 1983 in the UK, and entered the game industry in 1985. In a short span of time he became one of the UK's top game developers. In 1988, he established Vivid Image, which would later become one of Europe's top development firms. He developed world-renowned games including Enduro Racer, Last Ninja 2, Time Machine, Hammerfist, Street Racer and First Samurai for such platforms as Amstrad, Spectrum, Amiga and Nintendo SNES. In late 2000, he returned to Turkey to lead the development of the game industry and founded Sobee, which in time became well-known throughout the global gaming world. In 2006 he launched İstanbul Kıyamet Vakti (Armageddon in Istanbul), a highly popular Turkish game, in 2008 Citroen C4 Robot, enjoyed by one million players, and in 2009 the world's first 11 on 11 online soccer game I CAN FOOTBALL. In March 2009, Türk Telekom wholly acquired Sobee Studios, which he had founded. In 2011, he launched Turkey's first child superhero SüperCan complete with a game, and serves Türk Telekom Group as the CEO of Sobee Studios. Dinç and the world-famous game producer Jon Dean cofounded the first society of game development community, namely the Society of Software Authors and he is the President of Turkish Digital Games Federation.

Türk Telekom Top Management

K. Gökhan Bozkurt (1971) 6
CEO - General Manager
Please see page 34.

Mustafa Uysal (1953) 5
Türk Telekom Group CFO -
Türk Telekom Acting VP, Finance
Acting Vice President of Finance in Türk Telekom, Mustafa Uysal started his business career as tax inspector at the Ministry of Finance in 1976, Mustafa Uysal held office at Anadolu Group as Coordinator of Financial Affairs, President of Financial Affairs, President of Business Development and board member of various group companies. He has served as president of the Tax Council composed of representatives of civil and non-governmental organizations, academics and experts since 2003 with his experience in finance, tax policies and tax applications, internal audit, financial systems, business strategies, business development, corporate governance, risk management, and restructuring. A study co-authored by Mustafa Uysal, entitled "A Strategic Approach to Turkish Revenue Administration and Audit in Light of Contemporary Trends" was deemed worthy of an award by the Tax Inspectors Foundation and published. Another joint study named "Inflation Adjustment and Accounting" was published by TÜRMOB (The Union of Certified Public Accountants and Sworn-in Certified Public Accountants of Turkey) and Yaklaşım Publishing. Mr. Uysal's articles entitled "Arasıra" are published in Dünya newspaper. Since February 2010, Bozkurt has served as Türk Telekom Group CFO and Türk Telekom's Acting VP, Finance. He is also a member of the Supervisory Board at Pantel International Group.

Celalettin Dinçer (1966) 7
Vice President, Sales
After graduating from ITU's Department of Electrical and Electronics Engineering, Celalettin Dinçer started working as engineer at PTT's Directorate of the Istanbul Region. Later promoted to the office of Data Processing Manager at PTT, and then to Data Processing Department Director at Türk Telekom in 2000, Dinçer became Assistant General Manager in 2001. He held office as Vice President, Operations till December 2010, and has been serving in the capacity of Vice President, Sales since December 2010. Dinçer is also a member of the Management Board of Pantel International Group.

Erem Demircan (1968) 4
Vice President, Marketing and Communications
Upon graduating from the Department of Electrical and Electronic Engineering of Boğaziçi University, Erem Demircan worked for 17 years in various positions in the domestic and international companies of Koç Group, notably Arçelik; and assumed various managerial positions including Assistant General Manager - Sales and Marketing at Beko and Board Member at Grundig. He joined Türk Telekom Group in November 2006 as the Director of Marketing, and then was appointed Vice President - Corporate Affairs of Türk Telekom in September 2007. He is Türk Telekom's Vice President, Marketing and Communications since April 2008.

Şükrü Kutlu (1970) 8
Vice President, Human Resources, Support and Regulatory
After getting a degree from Ankara University, Faculty of Law, Şükrü Kutlu completed his master's degree at Gazi University, Institute of Social Sciences, College of Private Law, and the Department of Civil Law. He started his professional career as assistant auditor at the Turkish Court of Accounts, before becoming auditor, and chief auditor. Kutlu joined Türk Telekom in 2003 as Assistant General Manager and has served as Vice President, Human Resources, Support and Regulatory since October 2010. Kutlu is also a member of the Management Board of Pantel International Group and a board member at Turkish State Railways (TCDD).

Timur Ceylan (1971) 3
Vice President, Technology
After getting his degree in Electrical Engineering from Bilkent University, Timur Ceylan got his master's degrees in Electrical Engineering at Hacettepe University, Economics at Bilkent University, and Electrical and Computer Engineering at the University of California, Irvine where he later pursued doctoral studies as well. He started his professional career in 1997 and following various executive positions at technology companies in Silicon Valley, he joined Türk Telekom in November 2007 as advisor to VP, Operations. Between May 2008 and November 2010 he served as the Assistant General Manager of Technology at TTNET. He was appointed Vice President, Technology in November 2010.

Memet Atalay (1970) 9
Vice President, Operations
After getting his degree in Electronic Communications Engineering from Istanbul Technical University, Memet Atalay started working at PTT as a transmission engineer. He then became Switch Engineer, R&D engineer, then Switchboard Project Manager in 2000, and Assistant Head of Study and Investment in 2002. He was part of the team which launched Aycell, and was in charge of the strategy unit during the restructuring of Türk Telekom. He worked as a Sector Auditor at the State Supervisory Council between 2004 and 2005. He was appointed Telecommunication Networks Director in 2006. Atalay held office as Network Director during 2009, at the time of restructuring of the Operations Department. In November 2010, he was appointed Acting Vice President of Operations, and on June 2011 as VP, Operations.

Dr. Mehmet Kömürcü (1970) 2
Vice President, Legal
After receiving his degree in law from Ankara University, Mehmet Kömürcü received his master's degree in International Trade Law from American University, Washington College of Law. He received another master's degree in Law in International Waters and his Ph.D. in Public International Law from the University of Wisconsin Law School, in Madison, WI. He worked as an attorney in the Legal and Claims Department of Multilateral Investment Guarantee Agency (MIGA), a member of the World Bank Group, in 1997 and 1998. He worked as research assistant at the University of Wisconsin-Madison Law School in 2001 and 2002. A member of the New York and Istanbul Bars, Kömürcü joined Türk Telekom in 2005. Kömürcü is also a member of the Management Board of Pantel International Group.

Dr. Ramazan Demir (1972) 10
Vice President, Strategy and Business Development
Having graduated from Bilkent University, Ramazan Demir holds a Doctoral Degree from MIT, Sloan School of Management. He held executive positions with Yahoo! in charge of design and development of innovative online advertising and consumer products. Before joining Yahoo!, he had been in charge of the operational research team of a leading jet company which offers membership products and services. He joined Türk Telekom in 2009, and concentrates his efforts in the areas of communication and media convergences. Since 2009, he has served as VP responsible for Strategy and Business Development.

Haktan Kılıç (1974) 1
Vice President, Customer Relations
Haktan Kılıç graduated from the Department of Industrial Engineering at Marmara University in 1997 and completed his master's degree at the same department in 2001. He started his business career as Production Manager at Serve A.Ş. in 1997, and then worked at Turkcell İletişim Hizmetleri A.Ş. between 1997 and 2007 in various positions, after which he worked as Senior Management Advisor at IBM between 2007 and 2008. He served Eagle Mobile, Albania's GSM operator as Marketing Director in 2008. He moved on to work at Türk Telekom Group as Marketing Director at TTNET, and then worked as Customer Relations Director at TTNET from February 2009 to March 2010. He has been serving as Vice President, Customer Relations since March 2010.

Mehmet Candan Toros (1965) 11
Vice President, International and Wholesale Sales
After getting his degree in Electrical Engineering from the Faculty of Electrical and Electronic Engineering at Istanbul Technical University, Mehmet Candan Toros started his career as a transmission engineer at PTT (Türk Telekom) Technical Operations and Maintenance Department in 1988. After serving as Satellite Systems Engineer, Deputy Manager and Managing Director at Satellite Communications Center and as Director of Satellite Communication & Spacecraft Management Department (Türksat) of PTT and Türk Telekom, Toros was appointed Assistant General Manager for Sales and Marketing in 2003. He has served as VP, International and Wholesale Sales since 2008. He is also a member of the Management Board of Pantel International Group.

Dr. Nazif Burca (1968) 12
Head of Internal Audit
After getting his degree in public administration from Ankara University, Nazif Burca received his master's degree in finance from the University of Illinois in the USA and obtained his PhD in finance from Gazi University. Burca started his career as accounts auditor intern at the Ministry of Finance. He was later promoted to accounts auditor and chief auditor. In 2003, he was appointed Assistant General Manager for Finance at Türk Telekom, a position he held until November 2006. He has been serving as the Head of Internal Audit since 2007.

Changes in Top Management in 2011
Pursuant to the Board of Directors' decision dated June 23, 2011, Acting Vice President of Customer Relations Haktan Kılıç was appointed Vice President of Customer Relations.

Pursuant to the Board of Directors' decision dated June 23, 2011, Acting Vice President of Operations Mehmet Atalay was appointed Vice President of Operations.

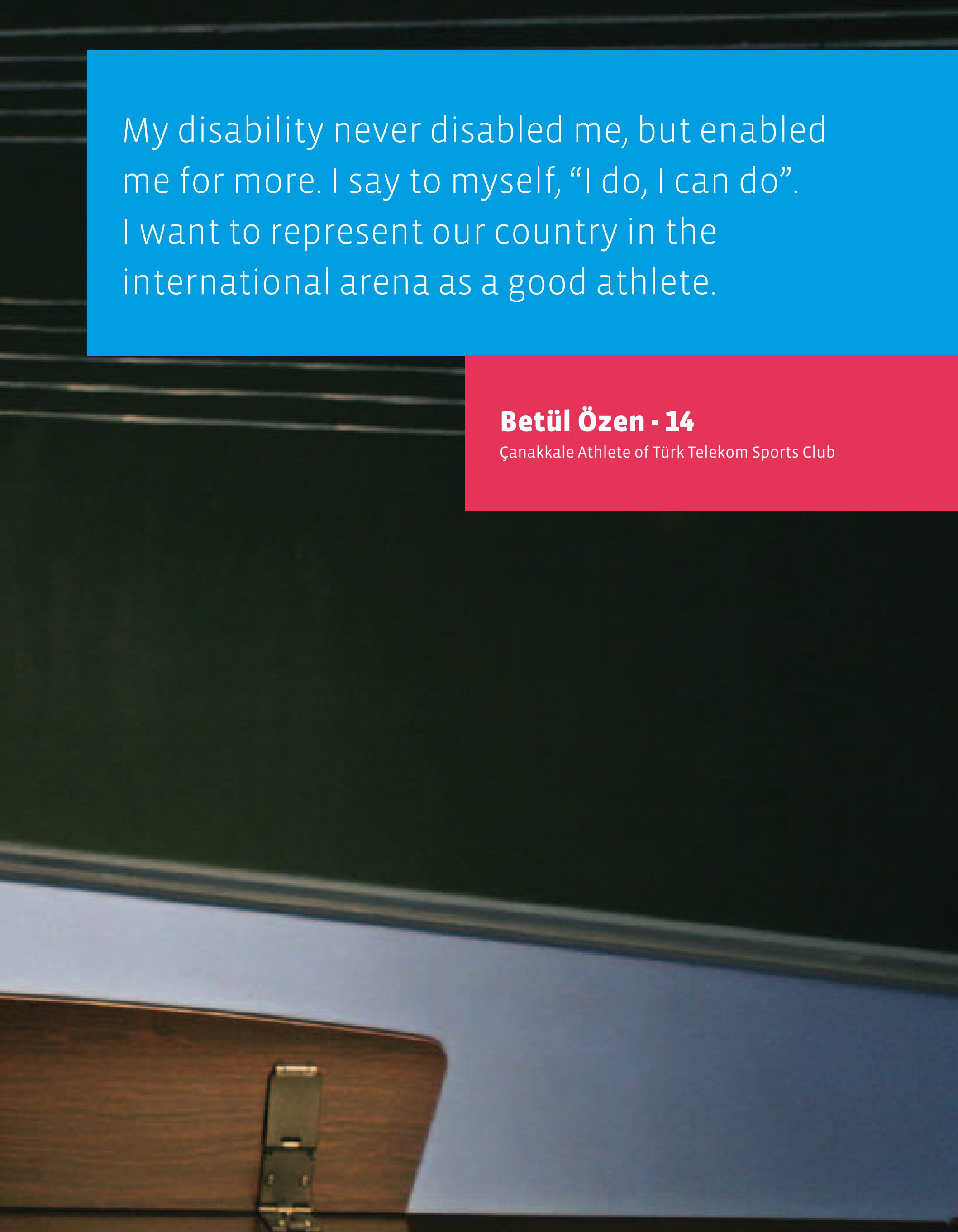
Projects worthy of Turkey

42 **sports clubs**

Support to 22 branches in 42 sports clubs

Türk Telekom Amateur Sports Clubs

As one of Türk Telekom's most important social responsibility projects carried out within the scope of "Türkiye'ye Değer" brand, Türk Telekom Sports Club stands out with its investments in sports infrastructure and with the successful athletes trained. Türk Telekom Amateur Sports Clubs still support 6 thousand athletes and train athletes in 22 different branches including badminton, tennis, fencing, ski, athletics and cycling, as well as in popular mass sports like football and basketball.



My disability never disabled me, but enabled me for more. I say to myself, “I do, I can do”. I want to represent our country in the international arena as a good athlete.

Betül Özen - 14

Çanakkale Athlete of Türk Telekom Sports Club

The life of Betül, who was born without a right arm, has changed with the discovery of her talent for sports. Betül started to play basketball in the Çanakkale Türk Telekom Sports Club and soon became one of the important players of her team.

14 years old, Betül Özen is an eighth grade student at Çanakkale Private İsmail Kaymak College. Betül was born without a right arm, but she has grabbed on to life from the age of five with her mechanical arm and hand. Betül's life changed radically four years ago, when her talent for sports was discovered at the primary school. Her school principal and physical education teacher saw her playing volleyball, and encouraged her to join the school's basketball team. In no time, she stood out with her successful performance, became a star player of the team, and eventually joined the Türk Telekom Sports Club. Betül plays piano and organ, and is also a skilled swimmer.

Betül says that she has never felt inferior because of not having a right arm and wants to represent Turkey in international competitions as a talented athlete.

The Year 2011

Improvement in the economic outlook in 2012 will depend on the alleviation of risks related to the sustainability of sovereign debt, and the strengthening of the banking and finance sector.

Economic Outlook

Decoupling of developed and developing economies

The decoupling of developed and developing economies, which had become evident in 2010, continued through the year 2011 despite the recovery in the global economy.

Uncertainty and downward risks loomed large in the year 2011, and from the second half onward, the global economic outlook deteriorated considerably. The main factors underlying this bleak outlook were risks concerning the sustainability of sovereign debt in developed economies, particularly in the Euro Zone, and troubles in the banking and finance sectors.

According to the January 2012 forecasts of the IMF, the world economy is expected to grow by respectively 3.8% and 3.3% in the years 2011 and 2012. In this period, developed economies are predicted to grow by 1.6% and 1.2%, and the emerging economies by 6.2% and 5.4%.

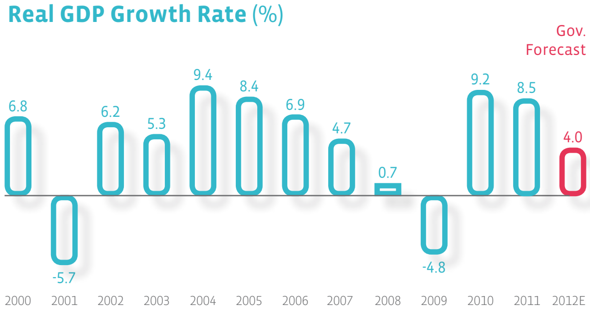
Improvement in the economic outlook in 2012 will depend on the solution of economic troubles in developed countries, the alleviation of risks related to the sustainability of sovereign debt, and the strengthening of the banking and finance sector.

Turkish economy continues to grow fast

The Turkish economy grew 9.2% in 2010 and by 8.5% in 2011 as a result of strong domestic demand (private sector consumption and investment expenses).

The Turkish economy's growth rate is forecasted to drop to 4.0% due to slowing domestic demand, global economic problems, and the base effect in 2012; nevertheless significant deviation is possible in both directions due to external factors.

Real GDP Growth Rate (%)



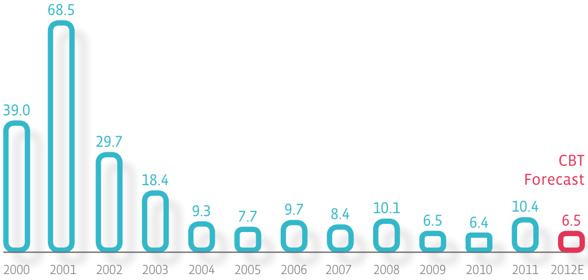
Remarkable drop in the unemployment rate

The unemployment rate, which stood at 11.9% in 2010, fell to 9.8% in 2011, as a result of the economic recovery, improving employment conditions, and various incentives. As for 2012, the Medium Term Program estimates an unemployment rate of 10.4% in parallel with the Government's growth and investment forecasts.

Inflation in double-digits

In 2011, inflation climbed back to double-digit figures for the first time since the 2008 crisis. Particularly in the final quarter of the year, price adjustments, delayed effects of exchange rate developments, and the increase in unprocessed food prices took 2011 inflation up to 10.4%, almost twice the Central Bank's official target of 5.5%. The Central Bank's inflation forecast for 2012 is 6.5%. During 2012, the course of the Turkish Lira, and developments in food prices, commodity prices, and administrated prices will determine the inflation rate.

Annual CPI Inflation (%) (eop)



A year of firsts in monetary policy

The year 2011 was a year of firsts in monetary policy. The Central Bank implemented policies to alleviate macro financial risks in the period between November 2010 and August 2011. On the one hand, the Central Bank strived to limit short term capital inflow and to prevent an excessive appreciation of the exchange rate; on the other hand, made active use of reserve requirements, interest rate corridor, and other liquidity policies in addition to the one-week repo auctions to ensure a more controlled growth of domestic credit and demand. As concerns over global growth and the European sovereign debt crisis intensified in the period from August 2011 to October 2011, the Central Bank raised the overnight borrowing rate and narrowed down the interest rate corridor, revised the TL reserve requirements, and deployed a measured policy rate cut in order to reduce the risk of a domestic recession triggered by heightened global economic problems. In the period from October 2011 until year-end, the Central Bank opted for monetary tightening. In order to eliminate the adverse effect of the rapidly rising inflation rate on medium term inflation expectations, the Central Bank significantly increased the overnight lending rate and widened the interest rate corridor in October. On the other hand, the Bank decreased reserve requirements to some extent to prevent an unwanted tightening of liquidity due to the hike in overnight rates.

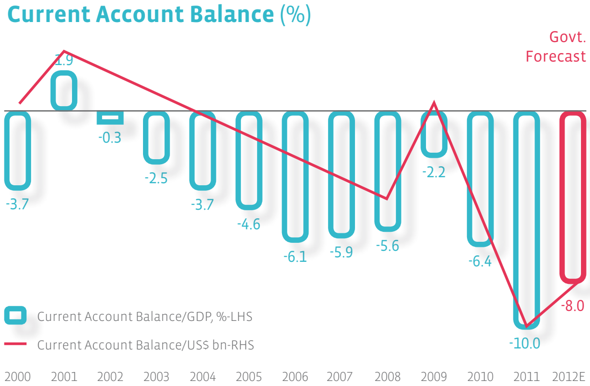
S&P was the first rating agency to upgrade Turkey's local-currency credit rating to "investment-grade".

Economic Outlook

Rise in current account deficit

The current account deficit rose from US$ 46.6 billion (6% of GDP) in 2010 to US$ 77.2 billion in 2011 (10% of GDP). The Government's current account deficit forecast for 2012 is US$ 65.4 billion (8% of GDP). In the period ahead, the course of energy and other commodity prices as well as the domestic and global economic outlook, and the course of the TL will impact the current account deficit. To ensure a reasonable current account deficit in the medium and long term, structural reforms aimed to raise productivity and savings should be implemented urgently.

Current Account Balance (%)



Fiscal discipline and robust budget performance

In 2010, sustained fiscal discipline yielded a budget deficit of TL 40.1 billion (3.6% of GDP) and a primary surplus of TL 8.2 billion (0.7% of GDP). The budget performance continued to improve in 2011, when a budget deficit of TL 17.4 billion (1.3% of GDP) and a primary surplus of TL 24.8 billion (1.9% of GDP) was recorded.

Fiscal discipline is expected to be maintained in 2012. For this year, the Government's budget deficit target is TL 21.1 billion (1.5% of GDP) and the primary surplus target is TL 29.1 billion (2% of GDP).

Debt stock complies with the Maastricht Criteria

Improved fiscal discipline and public finances have brought the ratio of the general government nominal debt stock to GDP from 42.4% in 2010 down to 39.4% in 2011; it is expected to decrease further to 37% in 2012. With a debt stock/GDP ratio of below 60%, Turkey meets the Maastricht Criteria, in a period in which a number of developed nations, particularly those in the Euro Zone, face a significant risk of sovereign debt sustainability.

Turkey becomes "investment grade" country with its TL credit rating

S&P was the first rating agency to upgrade Turkey's TL credit rating to "investment grade". On September 20, 2011, the agency increased Turkey's TL rating from "BB+" to "BBB-" and affirmed its "positive" credit outlook. Although S&P did not revise the FX credit rating of "BB", it underlined the fact that the "positive" outlook could eventually bring about a further upgrade in the country's rating in the coming period.

On November 23, 2011, however, Fitch Ratings confirmed Turkey's FX credit rating at "BB+" while revising the Country's credit outlook from "positive" down to "stable". Fitch Ratings indicated that this decision was prompted by increased short term risks to macroeconomic stability and above-target inflation rate.

Developments in Turkey's Long Term Foreign Currency Credit Ratings

	S&P	Moody's	Fitch
2010 Year-End	BB (positive)	Ba2 (positive)	BB+ (positive)
23.11.2011			BB+ (stable)
Current	BB (positive)	Ba2 (positive)	BB+ (stable)

Developments in Turkey's Long Term TL Credit Ratings

	S&P	Moody's	Fitch
2010 Year-End	BB+ (positive)	Ba2 (positive)	BB+ (positive)
20.09.2011	BBB- (positive)		
Current	BBB- (positive)	Ba2 (positive)	BB+ (positive)

Türk Telekom's three main business lines - fixed voice, fixed data/Internet and mobile communications - are seeing a constant diversification in consumer demand, and a rising interest in innovative solutions.

Sector Outlook

World Telecommunications Sector

Türk Telekom's three main business lines - fixed voice, fixed data/Internet and mobile communications - are seeing a constant diversification in consumer demand. Consumers show an increased interest in these services, and adapt themselves to innovative solutions more and more rapidly. In Turkey and across the world, technology evolves fast, and there are significant changes in both market conditions and regulations.

Globally, the presence of Internet throughout daily life via state-of-the-art devices is increasing. As providers of data, fixed and mobile operators have become the driving force of our communication age. In the area of fixed line, efforts to expand fiber optic cables and investments in cloud computing are among the main items on the global agenda. In mobile communications, mobile phones featuring wireless, rapid and secure near field communication technologies draw much attention. Near field communication has indeed become a much discussed issue on the mobile side.

The sector develops new solutions based on customer needs and contributes to the creation of different product portfolios across the world with proposed product packages. Nowadays, users are offered triple or quadruple integrated products featuring fixed voice, mobile voice, TV, Internet and games. In parallel with this trend, telecommunications companies strive to expand their product and service portfolio by cooperating with content providers or acquiring other companies in line with their strategies.

5.5% Sales revenue of the Turkish telecoms market grew 5.5%, reaching TL 22.8 billion.

46% Total sales revenue of Türk Telekom Group is 46% in Turkish telecom market.

Turkish Telecommunications Sector*

General Outlook

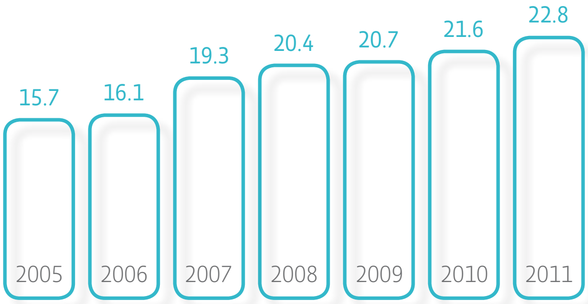
Turkey is one of the most important and fastest growing markets of its region with its young population and demographic structure, developing economy, modern network infrastructure covering the whole country, and ongoing infrastructure investments. The rapid growth in population and households makes Turkey an attractive market with plenty of opportunities for the telecommunications industry.

Telecommunication companies in the Turkish market continue to invest to meet the soaring communication demand of this young and dynamic population.

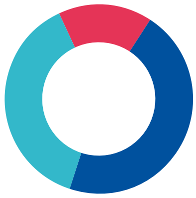
Sales Revenue

As a result of regulations in recent years, the number of operators in the Turkish electronic communications market increased significantly, which was matched by a remarkable expansion in mobile and broadband subscribers. This period saw a considerable rise in total revenue, driven by mobile telecoms service revenue. Türk Telekom and mobile operators raised their aggregate net sales revenue to around TL 22.8 billion as of 2011 year-end, corresponding to a 5.5% increase over the previous year.

Turkish Telecoms Market Net Sales Revenues (TL billion) (Türk Telekom and mobile operators)



Breakdown of Revenues by Operator (2011)



46% Türk Telekom Group
(Avea: 14%, Türk Telekom: 32%)

38% Turkcell

16% Vodafone

Total 2011 sales revenue of those companies outside Türk Telekom and the mobile operators is TL 4.8 billion.

** This section draws from the sector reports of the Information Technologies and Communication Authority (BTK).*

1.5
TL billion

Türk Telekom's fixed line investments in 2011 exceeded TL 1.5 billion as of year-end.

92%

Türk Telekom's share in local traffic

Sector Outlook

Investments

Since the coming into effect of regulations on 3G services in 2009, mobile operators continue to invest in 2G and 3G, and strive to expand their call center and distribution network in order to enhance service quality. As for the fixed line, the emphasis is on investments in new generation networks and fiber technologies.

Breakdown of Investment Amounts by Operators (2011)

57 % Türk Telekom Group
(Avea: 21%, Türk Telekom: 36%)

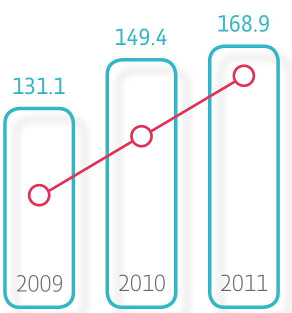
23% Turkcell

20% Vodafone

Total 2011 investments of those companies outside Türk Telekom and the mobile operators stand at TL 1.7 billion.

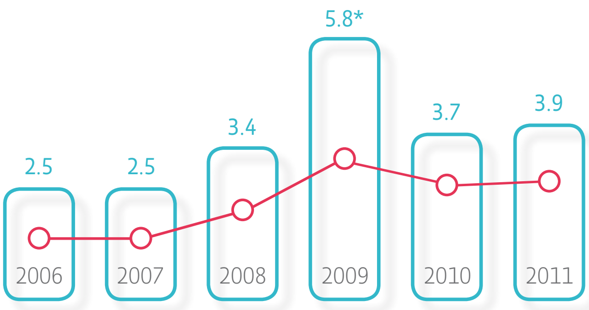
Voice Traffic

Total Traffic (Fixed and Mobile) (billions of minutes)



Mobile increased its share in the aggregate sector traffic. In 2011, mobile traffic accounted for 87% of total traffic, and fixed traffic for the remaining 13%. (Mobile traffic comprises calls inside and between the networks of different mobile operators.)

Turkish Telecoms Market Total Investments (TL billion)



** The hike is due to 3G license payments.*

198.3

minutes

In fixed line services, average monthly use per subscriber stands at 198.3 minutes as of the final quarter 2011.

6.8

million subscribers

Türk Telekom expanded xDSL services thanks to the investments made since 2005 and increased the number of ADSL subscribers from 450 thousand to 6.8 million.

Turkish Telecommunications Sector Outlook

The telecoms sector is composed of three markets: fixed voice, fixed data/Internet and mobile services.

Fixed Voice Market

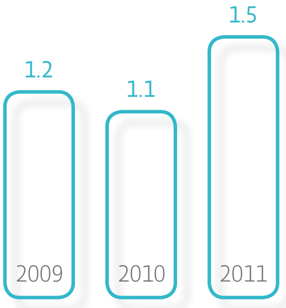
Turkey is a leading country in terms of PSTN infrastructure. As of 2011, there were 15.2 million fixed line subscribers in Turkey with a penetration rate of 20.06%. Considering that the average household size is 3.97 persons in Turkey according to the 2011 sector report by the regulatory authority, the landline services market reaches out to a very large proportion of the population.

In Turkey in the last quarter of 2011, around 260 thousand users made calls with the carrier pre-selection method among landline operators.

Alternative operators have a 7.78% share and Türk Telekom a 92.22% share in local traffic; and respectively, 14.66% and 84.34% in national traffic.

In fixed line services, according to the sector average, average monthly minutes of use per subscriber stood at 198.3 minutes as of the last quarter 2011.

Türk Telekom Fixed Line Investments (billion)



Türk Telekom's investments in fixed line in 2011 exceeded TL 1.5 billion as of year-end.

Turkey is among the least expensive countries in personal and corporate call baskets

According to the price comparison ranking based on personal call baskets provided by OECD's Outlook 2011 on the evolution of fixed lines, Turkey is the fifth least expensive nation among OECD countries; and the second least expensive in corporate baskets.

The uptrend in computer use and ownership in Turkey creates an opportunity for the fixed broadband market.

Sector Outlook

Fixed Broadband

The number of fixed and mobile broadband subscribers in our country has increased rapidly in recent years. The number of broadband subscribers increased around 755-fold in eight years, from a mere 18,604 in 2003 to over 14 million in 2011. In the final quarter of 2011, the number of total Internet subscribers in Turkey grew by around 6.9% over the previous quarter. The upward trend in the number of Internet subscribers continues, particularly due to the rise in fiber, mobile and cable Internet customers. The annual growth rate of total Internet subscribers is 62.8%.

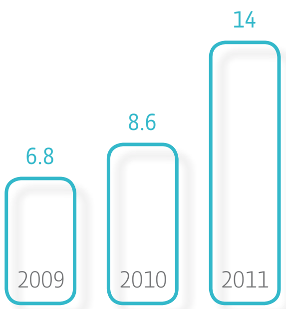
An analysis of the breakdown of broadband Internet subscribers by operator reveals that as of 2011 year-end the market share of alternative operators is 9.1% against TTNET's 80.9%. The other broadband connection types include mobile, fiber and cable.

The uptrend in computer use and ownership in Turkey creates an opportunity for the fixed broadband market. According to a sectoral report of the Information and Communication Technology Agency (ICTA) featuring data from the last quarter of 2011, fixed broadband penetration rates in Turkey by population and household were 10.4% and 41.2%, respectively. In contrast, the European Union averages for the same rates were 25.6% and 61.4%, respectively.

The primary platform used in broadband access services in Turkey is copper cable network, followed by mobile broadband internet. The Cable TV platform, satellite and fiber connections are also used for Internet access.

Türk Telekom has expanded xDSL services with its investments since 2005 and has increased the number of its ADSL subscribers from 450 thousand to 6.8 million. As a result of the transition from dial-up and cable Internet connection to ADSL, ADSL has become the most common Internet access method in Turkey. As of 2011 year-end, 95.7% of fixed broadband subscribers in Turkey (TTNET+ other ISPs) were using xDSL Technologies while the EU average stood at 78%.

Number of Broadband Internet Subscribers (million)*



** Includes all broadband access methods such as fixed, cable, fiber, as well as all types of mobile Internet.*

Around 80% of ADSL subscribers prefer up to 8 Mbps connection package, whereas 9% opt for the 1 Mbps package.

As of the final quarter 2011, total fixed broadband Internet use (download and upload) stood at approximately 468,000 TBytes. This usage is composed of 89% data download and 11% data upload.

Pursuant to an ICTA regulation dated 2010, subscribers can use Naked DSL services for a certain access fee. As of end-December, around 240 thousand subscribers receive Naked DSL services.

20% Avea market share in subscribers

80.9% TTNET market share in fixed broadband internet subscribers

Mobile Communications

As of 2011 year-end, there were 65.32 million mobile line subscribers in Turkey, with a penetration rate of 88.6%. The number of mobile subscribers and the penetration rate have increased since 2010. Avea has a 20% market share in subscribers. In the last quarter of 2011, subscriber transitions between different operators under number portability decreased 1.9% over the previous quarter, down to around 3.4 million. As of March 5, 2012, the total number of such transitions was over 40 million. There is an increase in the data traffic and revenue of mobile operators in the sector.

As of 2011 year-end, prepaid subscribers accounted for around 65% of mobile phone subscribers, but the percentage of postpaid subscribers rose from 30.9% to 35.3% in the last year. The number of 3G subscribers grew 60% over the previous year to 31.4 million, as of 2011.

Off-net traffic, which accounted for 10% of the mobile communications market in 2008, expanded its share to 34% (an increase of six percentage points) in 2011, owing to "all direction" tariffs that became wide-spread due to intensifying competition and decreased interconnection fees.

As of the last quarter 2011, the ARPU of the mobile market stood at approximately TL 20, and the average minutes of usage at 260.

As of 2011, the number of subscribers with mobile Internet access from computers or phones reached 6.4 million.

Legal Framework and Regulatory Authority

Telecommunications activities in Turkey are regulated by the Electronic Communications Law No. 5809, which came into force on November 10, 2008. The purpose of the law is to foster effective competition in the electronic communications sector through regulation and control, protect consumer rights, deploy services throughout the country, encourage effective and efficient use of resources; to promote technological development and new investments in communications infrastructure, networks and services; and also to lay out the principles and procedures related to the above-mentioned subjects. This law governs the delivery of electronic communication services, the establishment and operation of an electronic communications infrastructure and network, the manufacturing, importation, sales, installation and operation of all types of electronic communication devices and systems, the planning and allocation of all scarce resources including frequency, and all related regulation, authorization, control and reconciliation activities.

The Information and Communication Technologies Authority (BTK), the regulating authority in the sector, was established in January 2000, under the name Telecommunications Board, with administrative and financial autonomy; the board commenced its operations in August 2000 and its name was changed with the Electronic Communications Law that became effective on November 10, 2008. According to this law, the ICTA has the duties and authorities outlined in its organizational statute. (For further information, please visit: http://www.tk.gov.tr/mevzuat/yonetmelikler/dosyalar/btk_teskilat_yonetmeligi.pdf)

Delivering its customers innovative services in mobile communications, data, Internet and convergence, Türk Telekom Group is a world-class technology services provider.

Türk Telekom Group Operations

Leading value creation in communications and IT

Türk Telekom Group offers integrated telecoms services in a vast range, from fixed line and mobile communications to broadband and Internet. Thanks to a modern network infrastructure covering the whole country, Group companies deliver innovative products and services to individual and corporate customers across Turkey. Türk Telekom owns the fixed broadband operator TTNET; convergence technologies company Argela; information technology services provider Innova; online education software firm Sebit; online game company Sobee and call center services provider AssisTT; 100% shares of the wholesale data and capacity services provider Pantel International AG and subsidiaries; as well as 90% shares of Avea, one of the three mobile communications operators in Turkey.

As of December 31, 2011, Türk Telekom Group has 15.2 million fixed line, 6.8 million ADSL (wholesale) and 12.8 million mobile subscribers.

Future Outlook and Strategic Priorities

Forging ahead with confident steps to become one of the most powerful players in the telecoms industry, Türk Telekom strengthens its regional position through collaborations with technology and telecoms companies in different countries.

Türk Telekom's objective is to become the main communications provider in its region and maintain its leadership in the telecoms and services market, through an approach focused on high quality, valuable and customer-oriented products and services.

The Group's main focus is delivering efficient communications at attractive costs by taking into account the personal, social and business needs of our customers, and enabling data and content access from all kinds of devices.

15.2 million Number of Türk Telekom Group's fixed line subscribers

6.8 million Number of Türk Telekom Group's ADSL (wholesale) subscribers

Türk Telekom's strategic priorities include:
- Invigorating domestic communication through an integrated product and service portfolio
- Expanding the broadband market at high quality and optimized speed
- Focusing on end-to-end services for the corporate sector
- Growing and increasing its clout in the digital media industry, and diversifying its revenue portfolio
- Delivering premium quality TV services to its customers on any screen anywhere
- Growing in the emerging regional markets and increasing its regional clout.

Türk Telekom expects that technological advances will entail further convergence among areas such as entertainment, education and health, whose content will become more and more digitalized. Accordingly, the Group shall further its convergence strategy and investments in these areas in the years to come.

In the coming period, Türk Telekom will continue its innovative efforts to deliver its customers an ever superior experience of communications. To this end, the Group aims to offer its fixed line subscribers products with more added value. Türk Telekom strives to expand the market by introducing Internet to its customers without broadband access, through Lokum ("Turkish delight") - a customer-oriented, easily accessible and convenient Internet service. In addition, Türk Telekom will reinforce its leadership in fiber Internet, through extensive investment in infrastructure, in order to expand high-speed and premium quality Internet access in Turkey. The Group is also keen to step up the international sales and marketing efforts of its innovative products and services such as Internet TV.

Since its inception, Avea has constantly raised the bar with innovative services and has reshaped the competitive environment in the GSM market.

Türk Telekom Group Operations

TÜRK TELEKOM GROUP COMPANIES

AVEA

Turkey's youngest and most innovative GSM operator
The mobile operator Avea, a 90%-owned subsidiary of Türk Telekom, had 12.8 million subscribers as of 2011 year-end. Turkey's youngest and most innovative GSM operator, Avea offers its customers a quality communications experience in the international arena through its roaming agreements with 656 operators in 201 countries. Covering 98% of the Turkish population via its new generation network, the Company rapidly expands its corporate and individual services delivered under the brand "Avea". Avea continuously invests in technology, infrastructure, and its more than 2,700-strong workforce in line with a robust corporate governance perspective.

Since its inception, Avea constantly has raised the bar with innovative and needs-oriented services designed for different customer groups; as such, the Company has reshaped the competitive environment in the GSM market. Avea, continuously expands its offering to corporate and individual customers with customer-oriented and innovative services; at the same time, the Company fulfills the core responsibility of fostering fair competition in the Turkish GSM market while pursuing its vision of "becoming Turkey's most admired and preferred mobile communications company".

As Turkey's first and only GSM operator with R&D certification, Avea continuously develops innovative products and services to offer its customers a more comfortable life. In late 2010, Avea joined forces with Garanti Bank to launch its Near Field Communications Technology initiative, a global breakthrough. In 2011, Avea's contactless debit and credit card BonusluAvea ("Avea with Bonus") won the "Best Innovation Award" in the Best Business Awards.

Following this breakthrough in payment systems, Avea started work on the AveaCüzdan ("Avea Wallet"), which will manage all card platforms from a single portfolio, a single hub. AveaCüzdan is set to provide a common platform for all mobile financial services provided by Avea to its customers. It will allow the SIM card to not only double as a debit and credit card enabling contactless shopping, but also to function as an ID card while entering buildings, sports centers and other closed areas. Additionally, Avea Cüzdan can be used as a transport card in public transport vehicles, as a catering card in restaurants, or even as a subscription card on toll highways, bridges and parking lots, in the near future.

In 2011, Avea implemented the Avea Smart Municipality Project for the Eyüp Municipality in Istanbul, through its 3G infrastructure. Through this project, Avea offers the most comprehensive "Smart Municipality" service ever in Turkey.

Avea and Rixos joined forces in 2011 to launch the Augmented Reality/Indoor Navigation service in order to boost the Turkish tourism industry, and entered the tourism sector. Immediately upon check-in, Rixos guests can deploy the Augmented Reality technology through their smartphones, and enjoy navigation services for hotel guestrooms, restaurants, and entertainment inside the hotel.

On the other hand, Avea Technology Center, launched two years ago, in yet another breakthrough, established AveaLabs in 2011 and opend the first "Customer Experience Center" in Turkey. Guests can experience the technologies of the near future at AveaLabs, where a number of concept applications ranging from finance to entertainment, smart homes to smart cities, education to local government are introduced by Turkey's first virtual assistant "Rıfkı".

Avea R&D also works on mobile health services, with a special focus on remote measurement and the transfer of these measurements to health centers. Avea R&D joined forces with UCLA (California) to develop the Mobile Analysis Project, which will enable the remote diagnosis of diseases such as malaria, AIDS and tuberculosis through blood counts and other analyses, yielding great savings in time and cost. Thanks to the Mobile Analysis technology, the mobile phone will double as a microscope, analyzing blood and other samples from patients for diagnosis purposes, and then transfer the results to health clinics through Avea's mobile services. Avea's objective is to deliver mobile labs services in locations deprived of laboratories, enabling early diagnoses and minimizing the mortality rate with this service.

Having established itself as the opinion leader of the GSM sector with innovative practices, Avea also organizes pioneering and distinctive projects in the area of social responsibility. Avea views its participation in long term and sustainable social responsibility initiatives serving national development and delivering social benefits as part of its core responsibilities, and invests in the future of the Turkish society through various ground-breaking projects.

In 2011, Avea's innovative practices and social responsibility projects were awarded a large number of domestic and international prizes from renowned institutions. At the Best Business Awards, one of UK's most prestigious award events, Avea received the Best Social Responsibility Project Award for its project Türkiye'nin Minikleri, Dünyanın Yıldızları ("Turkey's Youngsters, Stars of the World") in support of Turkish soccer, and the Best Innovation Award for the Near Field Communication Project launched jointly with Garanti Bank. In addition the Customer Services Group, won the Best Usage of Technology Award at the 6th IMI Istanbul Call Center Awards in 2011. Avea was also presented with the Europe's Best Mobile Service Provider Award at the fourth edition of the World Finance Telecoms Awards, organized by the world's leading business magazine World Finance based in the UK. These are just some of the prestigious awards granted to Avea, the opinion leader of the mobile communications industry in 2011.

Delivering a rich portfolio of products to its corporate and individual customers, TTNET makes a significant contribution to meeting Turkey's communication needs.

Türk Telekom Group Operations

TTNET

A rich product portfolio for diverse communication needs
Established in 2006 to bring the world to Turkey via the Internet, TTNET is today a leading communications and entertainment company offering corporate and individual customers the technologies of the present and the future.

TTNET integrates the three main components of communications technologies - Internet, TV and telephone - in order to meet the full range of Turkey's communication needs through offerings in education, entertainment, communication, security and corporate business. The Company's product portfolio features rapid Internet access via ADSL/VDSL 2, fiber Internet access, WiFi wireless Internet Access, TTNET WiFi international Access (in cooperation with iPass), G.SHDSL, Metro Ethernet, ATM and Frame Relay Internet Access services. TTNET also delivers its customers the mobile cinema and TV service Tivibu Web; the IPTV service Tivibu Ev ("Home") accessible via a domestic TV set; as well as the full range of mobile communications including mobile line and 3G, under the brand TTNET Mobile in collaboration with Avea.

In addition to Internet access, TTNET's value added services include TTNET Müzik ("Music"), a platform to enjoy millions of songs free of charge, as well as the digital game platform Playstore, and the ground-breaking smart education support systems TTNET Vitamin İlköğretim ("Elementary School") and TTNET Vitamin Lise ("High School"). TTNET Güvenlik ("Security") offers a number secure Internet products and services to clients, while TTNET İşyerim Paketleri ("My Business Packages") provide custom-made products and services that meet the unique needs of companies.

By offering Internet, TV, PSTN and mobile voice services to clients on a single bill, TTNET became the first communications and entertainment company in Turkey to deliver a "four-in-one service" and made yet another national breakthrough.

In 2011, TTNET initiated a number of ground-breaking applications including Tivibu Ev ("Home"), Tivibu Cep ("Mobile") and the cloud computing service NETDISK; additionally, TTNET launched not only Turkey's one and only digital game platform Playstore, but also TTNET Akıllı Çubuk ("Smart Wand") which enables customers to access services such as TTNET Müzik and TTNET WiFi and personal quota data with a single click. SPORTIVI, the first sports channel unique to Tivibu, also went on air in 2011.

In 2011, TTNET was again deemed worthy of numerous domestic and international awards for its products and services. TTNET returned with six awards from the Stevie-International Business Awards: The Company received an Honors Award in the Best New Product of the Year in the Telecoms Sector category with TTNET Müzik; an Honors Award in the Social Media Oriented Communications / Public Relations Campaign category for TTNET Destek Hizmeti ("Support Service"); two Honors Awards in the Communication Campaign and Marketing Campaign categories for the Tivibu Platform; and two more Honors Awards in the categories Fastest-Growing Firm in Europe and in the Middle East.

Other awards presented to TTNET in 2011 include: TTNET's "single password" application won the Interface Software Integration Award at the Oracle Innovation Awards organized by Oracle. TTNET's in-game advertisement (Gamester) application Townster received The Most Creative In-Game Application Prize at the Digital Age Creativity Awards. At the MerComm Galaxy Awards, TTNET's main sponsorship of the Turkish national soccer teams and the PR campaign TTNET'le Herşey Mümkün ("Everything is Possible with TTNET") received awards in the PR Category and the Tivibu Banner campaign won in the Advertisement Category.

6.1
million

Number of retail ADSL subscribers

Pantel assumes a critical strategic role by significantly contributing to Turkey's transformation into a bridge of data and voice connecting the Middle East to Europe.

Türk Telekom Group Operations

PANTEL

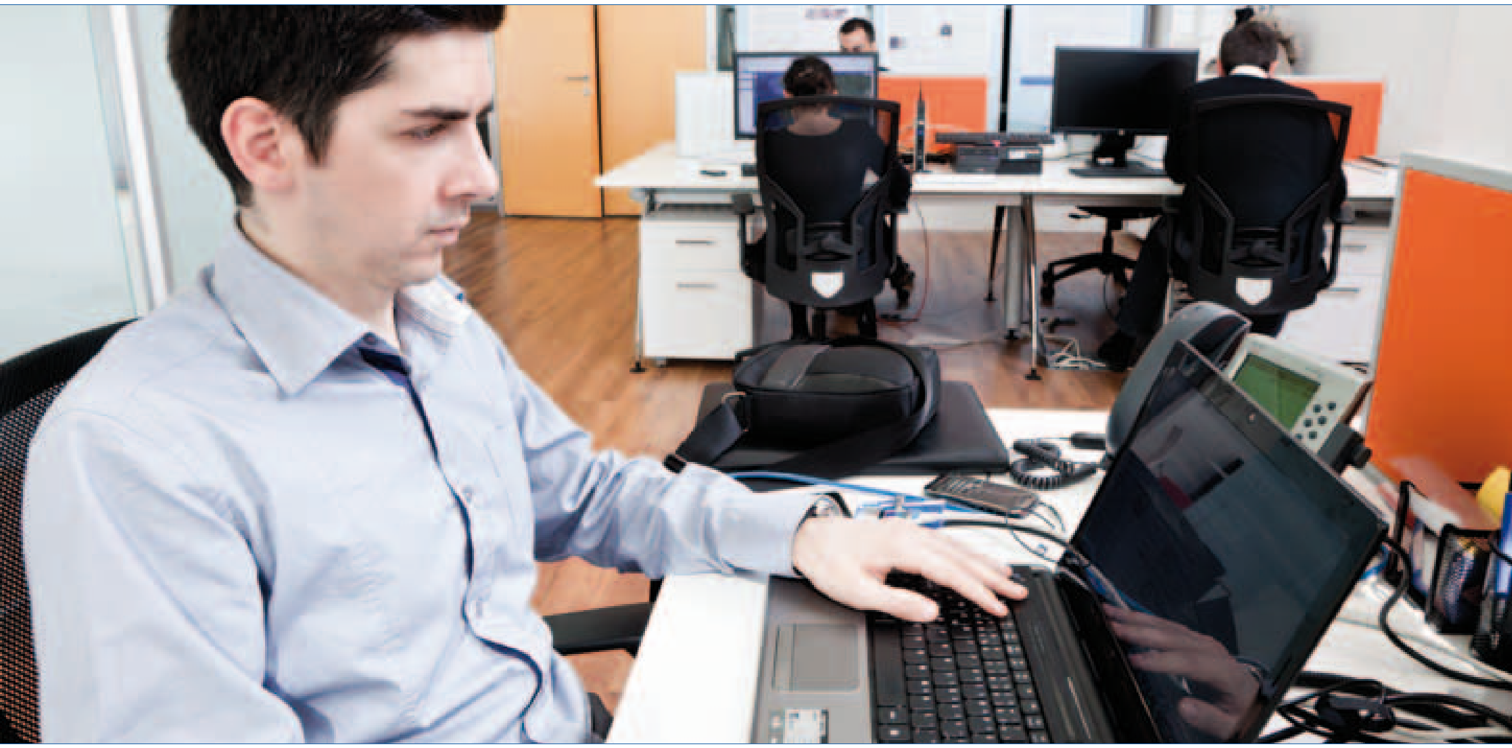
Turkey, a hub of intercontinental communication
On October 7, 2010 Türk Telekom acquired Invitel International, a leading data and wholesale capacity provider of Central and Southeast Europe, and changed its name to Pantel. Pantel is a top player in its field with over 27 thousand optic fiber cables across 16 nations as of 2011 year-end. The Company delivers national and international alternative fiber optic infrastructure services with its state-of-the-art communications systems.

As a provider of high capacity, secure and flexible telecoms solutions across Central and Western Europe and in Turkey, Pantel has become the first landline fiber optic network operator capable of wholesaling between the Middle East and Europe, thanks to the geographic position of Türk Telekom. This advantage has propelled Turkey to the position of regional hub in telecoms. Pantel assumes a critical strategic role by significantly contributing to Turkey's transformation into a bridge of data and voice connecting the Middle East to Europe. Türk Telekom has established data and broadband traffic in Turkey, the Middle East, Asian markets on the one hand and Western Europe and America on the other thanks to Pantel. As a result, Türk Telekom strenghtens its global position.

In the telecoms industry, Pantel delivers services such as dark fiber, voice, Internet and image through its fiber optic infrastructure, and provides network connection systems. As a key telecoms operator in Central and Eastern Europe (CEE), Turkey, Caucasus region, the Middle East and beyond, Pantel offers the full range of Internet/data, infrastructure and wholesale voice services to

- established operators,
- alternative carriers,
- mobile operators,
- cable TV companies, ISPs and
- corporate clients.

With its comprehensive network across CEE and robust position in the rapidly growing Turkish market, Pantel stands out as an ideal solutions partner for West European and American operators seeking access to these regions.



27

thousand km
fiber optic cable

Pantel has a fiber optic network of over 27 thousand kilometers in 16 countries.

Having received a number of awards to date, Pantel received in 2011 the Best CEE Wholesale Offering by Capacity Magazine at the Global Telecoms Conference held in Amsterdam, in recognition of its vast infrastructure covering a region from Turkey to the UK and its experience in customer management.

BEST CEE

Pantel received the Best CEE Wholesale Offering Award, presented by Capacity Magazine in 2012.

Pantel sponsors various education, culture, technology and sports projects, and views social responsibility initiatives not as a communication strategy but as investment in the future of Turkey. Pantel also supports the Turkish Federation of Fencing for the development of sports in Turkey, and is a sponsor of institutions such as TÜBİTAK, ITU and Dante.

Pantel, a global giant in telecoms infrastructure, emphasizes ethical values in its employee training programs. The Company invests in its workforce by using state-of-the-art devices in security, technology, first aid and “off-road” training.

Innova is one of the fastest growing technology companies with its application development and integration power, and delivers value adding solutions with its customized service approach.

Türk Telekom Group Operations

INNOVA

Turkey's innovative IT firm delivering end-to-end solutions

A pioneer in IT solutions and services, Innova capitalizes on its in-depth engineering know-how to offer innovative and state-of-the-art technology solutions that deliver increased productivity, cost savings and competitive edge to firms in a variety of industries, from telecoms to the public sector, from manufacturing and distribution to finance.

Innova brings together a wide range of specializations to develop well-managed, rapid and efficient projects by coupling technological know-how with experience in business processes. Innova delivers services independent of the product and the brand, and covers the entire value chain comprising consultancy-design-application development-integration-maintenance. Innova is one of the fastest growing technology companies with its application development and integration power, a key factor in the IT industry, and delivers value adding end-to-end solutions with its customized service approach.

Innova joined forces with Argela, another Türk Telekom Group company, to establish IVEA in Dubai to enhance the group's regional operations. Innova has expanded its service network to include over 20 countries, and implemented new projects in 2011 in Qatar, Dubai, Kuwait, Saudi Arabia, Lebanon, Abu Dhabi and Greece.

Innova is the only Turkish company with SPICE certification, granted on the basis of software process and skill level. Innova continues to design innovative and creative projects in the sector. The Company developed ASKİMATİKs for the Ankara Water and Sewage Agency (ASKİ), which won the The Best E-State Project Award from European Association for Self-Service (EAFS).

As Turkey's only experienced solution provider in sports events technology, Innova provided end-to-end IT infrastructure for the Universiade in Erzurum and the European Youth Olympic Festival in Trabzon in 2011, representing Turkey in the international arena.

Innova has been featured in the fastest growing technology companies list of the Deloitte Technology Fast 50 Turkey 2011, for the sixth consecutive time. In 2011, the Fast 50 evaluated the five-year cumulative performance of IT firms with a turnover above EUR 50 million, and placed Innova in the top ranks of the "Big Stars" category.

26% Annual employment growth in the Turkish outsource call center industry, attributable to AssisTT.

48.5% In 2011, AssisTT increased its production volume by 48.5% over the previous year.

assistt

ASSISTT

Turkey's fastest growing call center

In 2011, AssisTT maintained its position as Turkey's fastest growing call center. The Company played a crucial role in the development of the Turkish outsources call center market with its four-year high growth performance.

AssisTT runs its operations with 11 call centers and 6,275 employees across Turkey, and aims to become the pioneering "customer satisfaction center" of the EMEA region.

According to the results of IMI's Turkey Call Centers 2011 survey, the numbers of employees in outsource call centers in the country increased from 22,519 in 2010 to 35,100 in 2011, growing 35.5%. AssisTT, which increased its workforce by 49% (2,075 new employees) in 2011, has alone accounted for 26% of the annual employment growth in the Turkish outsource call center industry.

In 2011, AssisTT not only diversified its services oriented toward existing customers, but also added new clients such as the Ministry of Health and the Turkish State Railways to its portfolio. AssisTT serviced 100 million calls totaling 276 million minutes in 2011, increasing its production volume by 48.5% over the previous year.

In 2011, the Company also invested in three new locations in the provinces of Erzurum, Rize and Izmir, in line its sustainable growth objectives.

AssisTT, once again crowned its achievements with a number of awards in 2011. At the Contact Center World 2010 Top Ranking Performers Awards held in London in June 2011 and organized among EMEA countries, AssisTT and the Turkish Ministry of Health placed second in the Best Outsourcing Partnership category and received the silver prize. In November 2011, at the worldwide Contact Center World 2010 Top Ranking Performers Awards held in the USA, AssisTT CEO Adil Zembat was named the World Industry Award Champion.

Argela provides new generation solutions to global telecoms operators on a global scale, and serves millions of subscribers.

Türk Telekom Group Operations

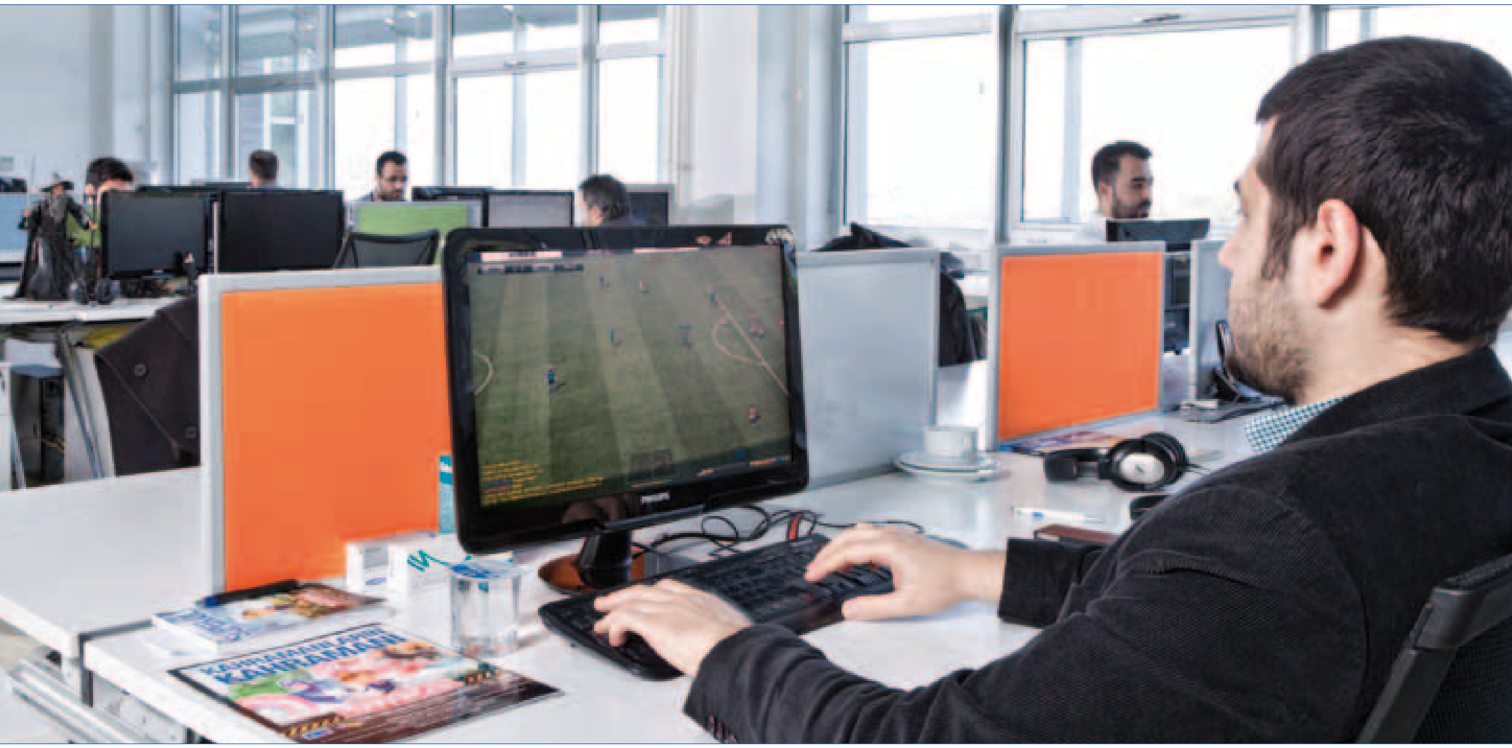
ARGELA

Established in 2004, Argela delivers innovative Technologies and new generation solutions for telecoms operators. Argela's products are used by numerous operators around the world; as the Company serves millions of subscribers through solutions provided to these operators. Türk Telekom's wholly-owned subsidiary Argela is well-known for its solutions including Argela ITV, Argela Avatar, PCRF/DPI, targeted ads platform, femtocell, IN solutions and network convergence gateway.

Argela carries out R&D with its well-experienced team and proactively develops technologies for the networks of the future. The Company transforms these technologies into new generation solutions that will sharpen the competitive edge of operators. Headquartered in Istanbul, Argela also has research labs in Ankara.

Türk Telekom's global company Argela is active in Dubai through its 50%-controlled subsidiary IVEA Software Solutions FZLLC and in the USA with its wholly owned subsidiary Argela USA, Inc. Argela's top priority markets are located in the Commonwealth of Independent States countries, the Middle East and North Africa; the Company also has customers in South Africa and the Southeast Europe.

The Argela ITV, a multiple-screen product superior to its rivals with its numerous features, also forms the infrastructure of the Tivibu service delivered by the Group company TTNET. The Best IP TV, Hybrid or Connected TV Service Growth Achievement Award presented to TTNET in 2011 confirmed the success of Argela's TV solution on the international stage.



SOBEE

Games reaching hundreds of thousands in Turkey and across the world

Having joined Türk Telekom Group in 2009, Sobee is a company developing 3D, interactive and multiplayer games. Sobee also works on real location modeling and simulation, and has made ground-breaking achievements in this area. The games developed by Sobee reach hundreds of thousands of people in Turkey and across the world.

The global market has an economic size about USD 50 billion; this figure is projected to rise to USD 100 billion including all participants in the market. Korea and China have dominated the global online market in recent years.

Today the Turkish game market, including all of its subsectors, has an economic size about USD 100 million and has significant growth potential. In line with its mission of becoming a local company with universal values, Sobee develops games and services suitable to domestic culture and social dynamics in the Turkish market, which has significant growth potential.

One of Sobee's prominent projects is İstanbul Kıyamet Vakti ("Armageddon in Istanbul"), which is a 3D multiplayer game currently online with hundreds of thousands of players, and is in the process of being developed further. As Turkey's first MMORPG (Massively Multiplayer Online Role Playing Game), İstanbul Kıyamet Vakti was featured in a documentary by Discovery Channel and reached over 700 thousand registered users in 2011.

Launched by Sobee in November 2009, I CAN FOOTBALL is the world's first 11-on-11 soccer game, and has reached over 970 thousand in Turkey in a short span of time. The game was presented with the Best Content Service Award at the 2010 World Communication Awards held in London; it was subsequently introduced to the Saudi Arabian and German markets in 2011. On May 8, 2011, Sobee successfully launched Turkey's first child superhero SüperCan, which reached over one million registered users in only seven months. Centered on such issues as social responsibility and environmental awareness, SüperCan is adapted to the entertainment concepts of children under 13 years of age.

With its education support service Adaptive Curriculum, which has reached about 200 thousand users in 500 schools across the USA, Sebit managed to win the tenders in various regions in Texas, despite competition from the publishing giants.

Türk Telekom Group Operations

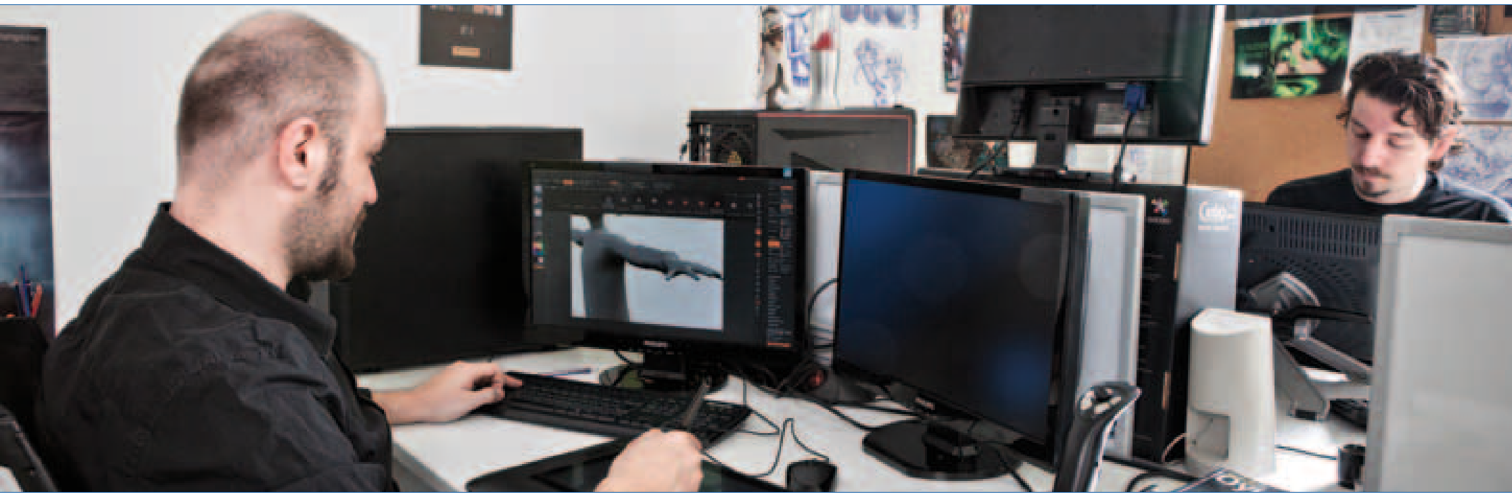
SEBIT

Cross-border education solutions built on 23 years of experience
Sebit's roots go back to research and development (R&D) labs established in TÜBİTAK in 1988. Building on 23 years of experience in its field, Sebit offers national and international education solutions that meet individual needs and provide social benefits. Having developed numerous education solutions since its inception, Sebit has surged to pre-eminence not only in Turkey but also on internationally.

Sebit's most popular cross-border education solution Vitamin is an education support service accessible online. Designed with advanced visuals, Vitamin features lessons in various subjects, interactive exercises, experiments and maps, as well as tests prepared with advanced measurement/assessment methods. Vitamin is compatible with the curriculum of the Ministry of National Education, and its target audience is students and teachers from elementary schools and high schools.

Based on a constructive approach supported by the curriculum of the Ministry of National Education and centered on the students' cognitive and psychological learning levels and phases, Vitamin Öğrenci ("Student") delivers lessons in an active and multi-dimensional learning environment, which takes into consideration the different learning levels of students, as well as their abilities and intelligence levels.

Vitamin Öğretmen ("Teacher") is a professional development and sharing platform developed by Sebit for teachers in elementary schools and junior high schools. The portal aims to support the enhancement of teachers' skills by enabling them to monitor national and international developments. Teachers and academics can come together via live training seminars organized through virtual interactive classes, and teachers can access symposia and other events with a simple click through live broadcasts.



200 thousand subscribers

With its education support service Adaptive Curriculum, Sebit has reached about 200 thousand users in 500 schools across the USA.

Sebit's adult training service is ProG, a professional and personal development portal. This platform deploys remote training and Internet technologies to deliver comprehensive and certified seminars at very attractive prices to undergraduates, new graduates, young professionals and hobby enthusiasts.

Today Vitamin is used in six countries: Turkey, USA, Malaysia, Saudi Arabia, China and Mexico. In the near future, it will be integrated to the education systems of South American countries such as Argentina and Brazil, and of the Middle East, such as Egypt.

Vitamin has a strong reputation in the US market. Prepared in Turkey in English, Adaptive Curriculum has been modified for the different curricula of various US states. It is currently being used by 200 thousand users in over 500 schools across the USA.

Sebit's advanced education solutions received numerous national and international awards. At the World Communication Awards, which highlight the best of the communications and telecoms industries, Vitamin was named The Best Content Service. Innovative approach, technological superiority and success in communications are the main criteria for The Best Content Service prize, yet more evidence of the strong international position enjoyed by Sebit.

Adaptive Curriculum, developed by Sebit in 2007, has received a total of six awards, including a CODiE Award (Best Online Education Solution), which is considerd to be the Oscar of the education software industry.

Launched in March 2010, Ev Avantaj ("Home Advantage") tariffs had 6.4 million subscribers as of 2011.

Türk Telekom Tariffs, Products and Campaigns

INDIVIDUAL

Tariffs

Home Advantage Tariffs

Launched in March 2010, Ev Avantaj ("Home Advantage") tariffs had 6.4 million subscribers as of 2011. Türk Telekom customers who made local and national calls to home and work numbers through tariff packages such as Ev Avantaj 100, 200, 300, 600, Özgür ("Free"), Uzun ("Long Duration"), Akşam ("Evening"), also enjoyed free call minutes through exclusive campaigns by Ev Avantaj.

"GAP" Advantage Tariff

Since March 2011, Türk Telekom subscribers living in the provinces covered by the Southeastern Anatolian Project (GAP) can enjoy up to 3,000 minutes of local calls for TL 9.90, including taxes. In addition, they can call mobile phones at a reduced rate, for just 15 Kurus per minute, taxes inclusive.

Village Advantage Tariff

Specifically designed for those settlements categorized as villages by the Ministry of Interior, the Köy Avantaj ("Village Advantage") tariff was launched in March 2011. With this tariff, newcomers to Türk Telekom's home telephone service can enjoy up to 3,000 minutes of local calls for TL 9.90, including taxes. In addition, subscribers can call mobile phones at a reduced rate, for just 15 Kurus per minute, inclusive of taxes.

The number of subscribers enjoying the "GAP" and Köy Avantaj tariffs stood at 320 thousand as of 2011 year-end.

Social Tariff

Sosyal ("Social") Tariff offers up to 3,000 minutes for a fixed monthly rate of TL 12.50 to families (parents and wives) of decessed soldiers in addition to war veterans and their wives and parents, and the wives of those disabled on duty.

SadeHATT Tariff

This tariff targets individual customers who applied for a new fixed line since June 2011. The rate per minute is 15 Kurus in local, national and first level international calls and calls to mobile phones; the fixed monthly rate is TL 16.33, the most economical rate.

Campaigns

"Let's Smooth it Over" Campaign

In 2011, Türk Telekom invited all those subscribers whose subscriptions had been cancelled due to unpaid bills to the Tatlıya Bağlayalım ("Let's Smooth it Over") campaign. The customers who joined benefited from such offers as interest rate cut on debt collection for past years, debt payment installments and unapplied default interest. Under the Tatlıya Bağlayalım program, those Türk Telekom customers whose subscriptions had been cancelled before March 31, 2011 were given the chance to divide their debt into installments with credit cards of participating banks, and to reopen their fixed lines. Customers whose debts had been divided into installments in previous campaigns could also join this new campaign. Türk Telekom customers who paid their debt with Tatlıya Bağlayalım received their new PSTN lines free-of-charge. Over 550 thousand customers participated in this campaign during 2011.

“Welcome to KAZANMAKMAK” Campaign

Türk Telekom and TTNET launched the KAZANMAKMAK (“Win-Win”) Loyalty Program in December 2011 in order to increase customer satisfaction and customer loyalty.

“Free Calls from Home between 7 p.m. and 7 a.m.” Campaign

Launched in 2010 among individual home telephone subscribers, Akşam 7’den Sabah 7’ye Evden Konuşması Bedava Kampanyası “Free Calls from Home between 7 p.m. and 7 a.m.” reached over nine million Türk Telekom subscribers in 2011. The campaign was made permanent due to strong demand. The campaign was unavailable for corporate customers, while individual home telephone subscribers with any Türk Telekom tariff were beneficiaries until 2011 year-end. Previously open to subscribers from the GAP Advantage, Village Advantage, Social Tariff and SadeHATT, the campaign was made available for all local and national calls. In October 2011, the scope of the campaign was expanded and it became possible to call from home to all mobile lines in Turkey from 7 p.m. until 7 a.m. The campaign was made permanent due to robust demand.

All-Round Free Calls on New Year’s Eve

On New Year’s Eve from 7 p.m. to 7 a.m., Türk Telekom subscribers enjoyed the chance to call local, national and international first level home and work phones free-of-charge. As a result, total call minutes increased 130% on New Year’s Eve.

Campaigns around Home Advantage Tariffs

Subscribers of Ev Avantaj (“Home Advantage”) tariffs had the chance to make free-of-charge local, national, international calls and calls to mobile lines until year-end. Those subscribers opting for the Ev Avantaj 200 tariff were able to make free calls for five months aside from their tariffs, with the Özgür Merhaba (“Free Hello”) campaign. Subscribers to the Haydi Konuş (“Come On and Talk”) and Haftasonu Özgür Konuş (“Free Calls on the Weekend”) enjoyed exclusive call opportunities.

Wirofon Campaign

From May 2011 until year-end, those Türk Telekom customers who travelled abroad and wanted to call their loved ones in Turkey more frequently were offered calls in all directions via Wirofon for an exclusive package fee.

Motorola Xoom Tablet Campaign

From June 2011, Türk Telekom started marketing the Motorola Xoom, the first device running on the Google Android™ 3.0 (Honeycomb) platform. The sales price was added to the subscribers’ monthly home phone bills at installments from TL 55. Many Türk Telekom subscribers benefited from this campaign which ran through March 2012.

Nokia C5-03 Mobile Phone Campaign

From August 2011, Türk Telekom offered all current individual Wirofon subscribers or all those willing to join the Wirofon world the chance to purchase a Nokia C5-03 for monthly installments of TL 24.99.

Sixty Retro Dect Phone Campaign

Türk Telekom customers also had the opportunity to purchase the vintage Sixty Retro Dect reminiscent of the rotary telephones of the 1960s for 24 monthly installments of TL 9.90, all taxes included.

Brand Collaborations

In 2011, subscribers participated in numerous campaigns organized jointly by Türk Telekom and brands such as Aygaz, Mogaz, Lipetgaz and Darty. Customers joined by obtaining passwords and they enjoyed various products offered by these brands at discount prices.

Türk Telekom subscribers also benefited from numerous services offered by Türk Telekom in cooperation with Turkish Airlines, İşbank and Tepe Defense and Security Systems.

Equipped with the highest security and accessibility standards, Türk Telekom Data Center contributes significantly to corporate productivity gains.

Türk Telekom Tariffs, Products and Campaigns

CORPORATE

Products and Services

Türk Telekom Data Center Opens in Istanbul

Türk Telekom's new data center delivering standard data center services such as server hosting and server leasing, as well as new generation cloud technology services was opened in November 2011 in Istanbul's Gayrettepe district. Equipped with the highest security and accessibility standards, Türk Telekom Data Center contributes significantly to productivity gains in businesses and public agencies through its server, storage space and software services.

Located in Istanbul, Türk Telekom Data Center is Turkey's first data center with Tier III design certification, since 2005, Türk Telekom has delivered data services from Ankara since 2005. With its recently launched Istanbul data center, the Company has a total uplink capacity of 80 Gbps and total operating space of 3,000 square meters. The two centers deliver services which can be scaled according to the needs of businesses.

"Your Pharmacy is here" Service

In the scope of the Eczanen Burada "Your Pharmacy is Here" service by Türk Telekom, subscribers in Istanbul, Ankara and Izmir can dial 0 800 445 50 50 from any home, work or public telephone to be redirected to the phone of the closest registered pharmacy in the environs.

Innovative Cloud Computing Service: Türk Telekom Belbil

Türk Telekom introduced municipalities to cloud computing with its Belbil application, launched in August 2011 and customized for these agencies.

Türk Telekom's Belbil service meets all software, access, storage and educational needs of municipalities, while allowing them to slash costs related to IT personnel and outsourcing. The service does not necessitate an initial investment and features all necessary updates. The data are securely stored at the Türk Telekom Data Center.

Türk Telekom assumes the all-round IT administration and management of municipalities through the Belbil service, which in turn allows them to deliver services more professionally. Türk Telekom Belbil constitutes a significant building block in Turkey's e-state structure, and creates value for both the municipalities and their citizens.

Corporate business continuity with TTVPN

TTVPN provides business continuity to companies with a network infrastructure spread across Turkey, thanks to its end-to-end, multipoint-to-multipoint data network with back-up, high availability, flexibility and alternative directing features. TTVPN is a special customized network which provides multipoint-to-multipoint access and establishes a rapid and secure connection between points. Such value added services as Türk Telekom Sanal Santral (“Virtual Switchboard”) and Telepresence run on the TTVPN infrastructure. Türk Telekom signed corporate solutions contracts with seven solution partners in 2011 and completed 171 (5,654 ends) of the 337 projects (TTVPN+SanalSantral+Belbil) that it implements jointly with these solution partners. Percentage of completion on multiple end project is 90%.

Value added services to corporate customers

Türk Telekom’s value added services provide users with easier and more flexible service usage and a competitive advantage. By delivering new value added services through an infrastructure compatible with new generation networks, Türk Telekom increases customer loyalty and commitment to such services. As an alternative to the telephone switchboard, Türk Telekom provides its corporate customers the switching and direction service “Centrex”, running on the PSTN, IP and GSM networks, with a service continuity independent of any common platform, infrastructure, location, access point and time. Türk Telekom networks also provide customers Fixed Mobile Convergence Services (FMC: Videophone, Wiro/Wirofon services) which allow them to access these services without changing their device. In addition, the “Service Distribution Platform” running on the Türk Telekom network saw its speed increase 10-fold and its solution partners increased in the year 2011, during which 96 million SMS were sent via this platform. The Voice Message Platform service was upgraded, and 115 million call termination transactions completed in a more cost-efficient and effective manner.

Security services for corporate clients

Türk Telekom not only offers manageable, scalable and flexible value added services to its corporate clients, but also becomes their solution partner through corporate security services. With its in-depth experience and know-how, Türk Telekom provide its clients consultancy services in security analyses, needs scaling, and development of convenient solutions. In addition, the Company trains its customers about the services provided, contributing to a nationwide increase in security awareness.

In 2011, Türk Telekom increased customer satisfaction with different tariffs and campaigns for corporate customers.

Türk Telekom Tariffs, Products and Campaigns

Tariffs

Türk Telekom's İş Avantaj ("Work Advantage") tariffs, targeting the communications needs of corporate clients and utilized by one million corporate lines, had gained over 500 thousand new customers as of year-end.

Work Advantage Three Directions Tariff

In May 2011, Türk Telekom started offering its corporate customers free minutes for calls to local, national, international, first level PSTN and 444 numbers. İş Avantaj Üç Yöne Tarifesi ("Work Advantage Three Directions Tariff") package price varies according to the free minute calls, ranging from 100 to 2,000 minutes.

Work Advantage All Directions Tariff

In May 2011, Türk Telekom, started offering its corporate customers free minutes for calls local, national, international, mobile, first level PSTN and 444 numbers. İş Avantaj Her Yöne Tarifesi ("Work Advantage All Directions Tariff") package price varies according to the total amount free minute calls ranging from 100 to 5,000 minutes.

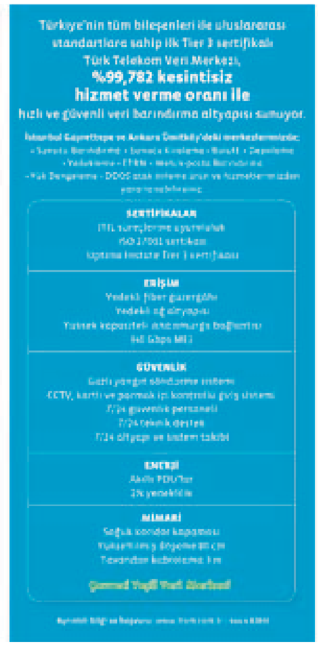
Campaigns

Campaigns to expand the broadband market

In 2011, in order to foster widespread Internet usage, expand the broadband market and increase its ADSL subscriber base, Türk Telekom organized various campaigns in support of ISPs. From June 2011 until year-end, Türk Telekom held campaigns around 1 Mbps 1 GB and 1 Mbps 2 GB tariff packages; a reduced monthly rate campaign for new subscribers; and a sales performance campaign related to new subscriber acquisition in the scope of Al-Sat, VAE and YAPA. The Company also offered a Point-to-Point Data Metro Ethernet campaign under the framework of Flow Access and Local Network Sharing. The ADSL and VDSL line freeze campaigns that had started in 2010 were extended through September 2011.

Complimentary 3G Modem and Avea Mobile Internet Campaign

From June 2011, Türk Telekom's corporate PSTN and Digital Multiple Line clients enjoyed the complimentary 3G modem and monthly 500 MB Avea mobile Internet campaign. Scheduled to run through June 2012, the campaign is open to those clients with an average phone bill of TL 150 in the last six months, who have paid their last three bills regularly, and have no previous unpaid bills.



Complimentary Capacity in VMB Services

Launched in June 2011, the campaign targets current Data Center Connection (VMB) clients or prospective customers willing to join VMB during the campaign application period. Scheduled to run until June 2012, the campaign offers clients complimentary VMB capacity equivalent to the bandwidth they transfer from overseas, when they purchase a two-year contract for VMB services at 1-5 Gbps capacity.

TT Virtual Switchboard Equipment Campaign

Launched in June 2011, this campaign is open to corporate clients with a minimum of five outside lines, subscription to Work Advantage and Public Advantage outside line tariffs, and a commitment to remain a Türk Telekom client for at least 36 months. Subscribers joining the campaign started using the Türk Telekom Sanal Santral (“Virtual Switchboard”) equipment free of charge during the commitment period.

TT Digital Multiple HaTT Connection Campaign

New clients of the İş Avantaj Üç Yöne, İş Avantaj Her yöne, Kamu Avantaj and Kamu Avantaj Her Yöne tariffs, who committed to 24-month contracts, were not charged any connection fee. Türk Telekom clients benefited from this campaign through July 2011.

Metro Ethernet Internet Data Center Campaign

Oriented at those ISPs running data centers, this campaign allowed operators and end-users to benefit from electronic communication and infrastructure services at attractive prices. During the Metro Ethernet Internet Data Center Campaign, ISPs purchasing Metro Ethernet Internet at 2-5 Gbps capacity for their Internet data centers will enjoy complimentary Internet traffic capacity from overseas for a duration of 1 to 2 years.

Teleconference Room Campaign

Corporate clients having subscribed to TTVPN/Metro Ethernet by September 2011 were offered a 20% discount on equipment use when they opted for one of the 12, 24 or 36-month monthly payment packages. Türk Telekom clients benefited from this campaign until 2011 year-end.

Benefits from Work Advantage Tariffs

From October 2011, Türk Telekom offered its corporate clients who transferred to the İş Avantaj Üç Yöne (“Work Advantage Three Directions”) and İş Avantaj Her Yöne (“Work Advantage All Directions”) tariffs an 8% discount from the package rate for a 12-month commitment period and a 12% discount for a 24-month commitment period. Current corporate clients with Türk Telekom İş Avantaj packages were awarded respectively 10% and 15% discounts when they upgraded to a higher package from İş Avantaj Üç Yöne or İş Avantaj Her Yöne tariffs for a 12-month or 24-month commitment period. Clients could apply through March 2012 to this campaign valid during the commitment period.

Always running its operations with the target of attaining the highest level in customer satisfaction, Türk Telekom has now crowned its efforts with ISO 10002 Customer Complaint Handling Standards certification.

Türk Telekom Customer Satisfaction

ISO 10002 Customer Complaint Handling Standards

Always running its operations with the target of attaining the highest level in customer satisfaction, Türk Telekom has now crowned its efforts with ISO 10002 Customer Complaint Handling Standards certification. The ISO 10002 standard provides guidance in the systematic handling of customer complaints in order to attain and sustain customer satisfaction, and enables the efficient management of this process including the collection, evaluation and resolution of customer complaints, as well as the provision of feedback.

By obtaining ISO 10002 certification, Türk Telekom is committed to becoming a perfectly accessible company, which assesses all incoming complaints and demands in a standard manner through all channels, according to the principles of fairness, equality, objectivity and confidentiality. By doing so, Türk Telekom aims to resolve customer complaints, which is crucial in maintaining customer loyalty, in a customer-oriented fashion, and establish a system which increases the Company's capability of improving its services.

A general awareness around customer complaints was fostered in the Company, and activities were planned to comply with ISO 10002 Standards. Documentation was produced to ensure the integration of this Standard with the ISO 9001:2008 Quality Management System already in use. After the implementation of the processes, the efficiency of the system was evaluated through internal inspection.

In the report released by Bureau Veritas following its certification audit, it was found that employee awareness and commitment in the implementation of managements systems was praiseworthy, that a very well designed complaint management system was in force, and the senior management's decisions on this process played a strategic role.

More Efficient Customer Relationship Management

Türk Telekom strives to boost customer satisfaction and to win over corporate customers in a more efficient and integrated manner through customer relationship management projects. In order to deliver more productive services in the framework of the solution partnership model, the Company embarked on a project for the enhancement of the I-PM application, which includes carrying out field studies in customers' sites, and delivering all types of supply, shipment, installation, management, and maintenance services when necessary.

Dealer Logistics System

Türk Telekom's Dealer Logistics System is designed to monitor product sales and inventories of Türk Telekom dealers and offices, their configuration, integration and adaptation according to certain scenarios, and to organize any necessary training. In this period, as part of dealer optimization efforts, 1,224 dealerships and 131 application points were transformed into more efficient 850 dealerships and 348 application points. As a result the customer satisfaction level at dealerships stood at 83.7% in 2011, according to a survey by Ipsos KMG.

Türk Telekom Sponsorships

Mehmet Akif Commemorated on the 75$^{\text{th}}$ Anniversary of His Death

2011 was declared the year of Mehmet Akif Ersoy by the Prime Minister's Office and the Ministry of Culture, and Türk Telekom became the main sponsor of the Mehmet Akif Ersoy's 75$^{\text{th}}$ Anniversary Memorial Exhibition organized on this occasion. The exhibition ran between December 1 and 13 at Ankara Painting and Sculpture Museum, and from December 17 to 31 at the Fatih Ali Emiri Culture Center. In the exhibition, the famous poet of the Turkish Independence March was commemorated with never before published original manuscripts, family photos, autographed copies of his book Safahat, letters to friends and family, documents from the times of the first Turkish National Assembly, the original compositions of the Independence March, special magazine issues in homage to the poet, original voice recordings and souvenirs, exam papers from his time as a university professor, and documents from posthumous commemorative events. The exhibition honored the memory of Mehmet Akif Ersoy with the largest ever collection of original documents and papers.

TRT 33$^{\text{rd}}$ International April 23 Children Festival

Turkey's leading communications and convergence technologies company, Türk Telekom became the main sponsor of TRT's 33$^{\text{rd}}$ International April 23rd Children Festival, for the fourth time. The TRT 33$^{\text{rd}}$ International April 23rd Children Festival took place in Bursa from April 16 to 25 with the participation of children from 37 countries. The festival was full of exciting events such as the festive march, visit to the Prime Minister's Office, activities at the Atatürk Congress Center, shows by different nations, and concerts by Funda Arar, Atiye and Yüksek Sadakat. The festival was broadcast live on the TRT.

9$^{\text{th}}$ International Turkish Language Olympiads

Under the communications sponsorship of Türk Telekom, the 9$^{\text{th}}$ International Turkish Language Olympiads ran from June 18 to 19 at the Altınpark Congress and Convention Center in Ankara with the participation of 130 countries' representatives. At the Türk Telekom display stand located in the fair area, visitors from all ages showed great interest in SüperCan and around 1,200 people played the video game.

The objective of Türk Telekom's ad and sponsorship campaign around the slogan "The Most Dedicated Supporter of Turkish Sports" is to strengthen the dialogue between sports fans and Türk Telekom.

Türk Telekom Sponsorships

TÜRK TELEKOM SPORTS SPONSORSHIPS

2011 Winter Universiade
Türk Telekom, the most dedicated supporter of Turkish sports, was the main sponsor of the 25th Winter Universiade, hosted by Turkey for the first time in 2011. By becoming the main sponsor of this large scale project, which is a very crucial step for the promotion of Turkey across the world not only in the sports arena, but also in a cultural and tourism sense, Türk Telekom gave its name to a jump tower, a facility almost synonymous with winter games for many sports lovers. During the games, 1,700 athletes from 58 nations competed in 11 sports, and were cheered on by a 200,000-strong audience.

Türk Telekom, The Most Dedicated Supporter of Turkish Sports
Türk Telekom has been a business partner of the four largest Turkish soccer clubs Galatasaray, Trabzonspor, Fenerbahçe and Beşiktaş since 2008 in order to serve the universal values of sports, and to invest in the development of Turkish sports.

The objective of Türk Telekom's ad and sponsorship campaign around the slogan "The Most Dedicated Supporter of Turkish Sports" is to strengthen the dialogue between sports fans and Türk Telekom.

Under the contract signed by Türk Telekom and Galatasaray, the Company has become the main sponsor of the Galatasaray Soccer Club for five years, and the name sponsor of Türk Telekom Arena. Opened on January 15, 2011 with a magnificent ceremony, Türk Telekom Arena is Turkey's most modern stadium with its spectator capacity of 52 thousand, and remains an active sports and entertainment complex throughout the year, not only during soccer games.

Türk Telekom signed a main sponsorship contract with Trabzonspor Soccer A Team; in this scope, the Company organized the Türk Telekom Tribune at the Hüseyin Avni Aker Stadium. In addition, according to the marketing, ad and promotion contract signed with Trabzonspor, the Haluk Ulusoy Facilities in Trabzon were renamed Türk Telekom Facilities, and the İstanbul social facilities were renamed the Trabzonspor Türk Telekom Social Facilities.

As per the co-sponsorship contract of the Fenerbahçe Soccer A Team, Türk Telekom has acquired the name rights of the tribune behind the goal post at the Fenerbahçe Şükrü Saraçoğlu Stadium for four years. The tribune was renamed the Türk Telekom Tribune. Fenerbahçe's social facility was recently completed and opened in Ankara's Gölbaşı district was named the Fenerbahçe Türk Telekom Ankara Facilities.

Türk Telekom has a comprehensive ad and communications partnership with Beşiktaş; in this scope, a number of ad campaigns were launched at the Fİ YAPI İnönü Stadium and at various facilities of the club. Upon the renewal of the contract in 2011, the official website of Beşiktaş Athletic Club was updated by Türk Telekom in line with the expectations of Beşiktaş fans and the latest Internet technology.

Türk Telekom also carries out special projects to support Turkish soccer further. Competitions on social media platforms, various stadium events and special projects such as "Galatasaray Commemorates its Legends, Türk Telekom Announces Them across the Globe", "Türk Telekom Autograph Days", "In Remembrance of Lefter" are just some of these ground-breaking activities

In addition to soccer, Türk Telekom reaches out to sports fans in volleyball and tennis. The Company continues to uphold the universal values of sports through the sponsorship of such international events as Vakıfbank Türk Telekom Women's Volleyball Team's successful games in Europe, and the Türk Telekom Izmir Tennis Cup.

Türk Telekom invests in the future through R&D to create a strong ecosystem with domestic and international partners, and developing state-of-the-art, innovative products.

Türk Telekom Research & Development Activities

Cooperation between university and industry

Keen to establish a close cooperation with Turkey's prominent universities, Türk Telekom provided information about the Group's R&D efforts to professors and students from 23 universities, and outlined its programs in support of graduate research, in 2011. After an evaluation of research proposals from universities, the Group designated 36 projects taken a keen interest in a close cooperation with the areas of health, energy, multimedia, new generation telecoms networks, social networks, and voice image processing. Türk Telekom has signed framework agreements with universities that include Boğaziçi, Koç, Sabancı, Bahçeşehir, Özyeğin, METU, Bilkent, Izmir Institute of Technology, and is in talks with Istanbul Technical University, TOBB ETU and Maltepe.

Under of the EUREKA project MEVICO (Individual Communications Experience for the Evolution of Mobile Networks) concerning the development of enhancement and architecture proposals for new generation mobile networks, Türk Telekom is in close cooperation with Izmir Yüksek Teknoloji Üniversitesi (İzmir Advanced Technology University). Türk Telekom contributes to the project in terms of smart traffic channeling, mobile relay applications and heterogeneous networks.

In 2011, in order to strengthen the collaboration between universities and industry, Türk Telekom organized the Türk Telekom University R&D Cooperation Workshop with the participation of professors, department heads and deans from partner universities and Türk Telekom Group companies. During the workshop, ongoing university projects were evaluated, various presentations were made and 25 projects received "Türk Telekom Research Cooperation Prize".

Business Partnerships in R&D

In 2011, Türk Telekom further developed its joint R&D initiatives with business partners developing new technologies. Türk Telekom gave a boost to the studies carried out jointly with those SMEs with its extensive international research experience. Türk Telekom developed solutions such as mobile communication systems and tablet PCs. There was also significant progress in hot new generation research topics such as mobile platforms, enhanced reality, image processing, location-based services, and social network services. Türk Telekom plans to further its joint R&D activities with these firms active in techno parks in the year 2012, in research areas corresponding to the R&D strategies of the Group.

Türk Telekom is the first telecoms operator in Europe elected as a member of the Eurogia+ Cluster Board of Directors.

Basic R&D Activities

The Company's core focus on the research and development of advanced technologies gained momentum in the year 2011. In this area, Türk Telekom worked on the ROMEO and MAGICIAN projects supported by the European Union's 7th Framework (FP7) and EUREKA programs, as well as on its long term road map. In the telecoms field, significant headway was made in terms of IP networks, 3G/LTE and Wi-Fi, and a number of projects were carried out in cognitive systems, automatic learning, statistical signal processing, video analysis and monitoring. Türk Telekom plans to accelerate such efforts in 2012 in order to develop prototypes and apply for patent.

EU and TÜBİTAK's R&D Programs

EUREKA Program: In 2011, Türk Telekom obtained a total of TL 1.8 million in funds from TÜBİTAK for two of its seven projects approved by EUREKA. Of these projects, MAGICIAN (Semantic Based Intelligent Entertainment Activity Planner) stands out as the first ever EUREKA Celtic+ Project technically and administratively coordinated by a Turkish company.

Türk Telekom was the first European telecoms operator elected to the Board of Directors of the Eurogia+ Cluster, which provides support to R&D projects in the field of energy under the EUREKA Program. Türk Telekom is now recognized in the selection of European energy projects to the Eurogia+ Cluster.

EU 7th Framework Program (FP7): As Türk Telekom Group's first FP7 project, ROMEO (Real-Time Multimedia Experience over the Future Internet) came first among its peers and received funding approval in 2011. This project will receive a EUR 374,700 grant from the European Commission.

European Technology Platforms: Türk Telekom, which prepares road map documents jointly with European leaders of ICT and provides information to the European Commission, was elected to the Board of Directors of NEM (Networked and Electronic Media), one of Europe's most active technology platforms.

R&D Centers

Türk Telekom carries out its core R&D initiatives, joint efforts with universities and business partners, as well as EU-supported R&D efforts by at the technoparks ITU Teknokent and METU Teknokent. Türk Telekom plans to establish User Experience Center labs and Incubation Centers in these centers in 2012.

> "We invest not only in communication technologies but also in people, and value our human resources; because our strength rests on the team spirit and cohesion among our employees."

K. Gökhan Bozkurt
Türk Telekom CEO - General Manager

Türk Telekom Human Resources

A 35 thousand-strong family

Türk Telekom is keen to become the most preferred company in the Turkish telecoms industry, and strives to create a highly skilled workforce in line with its strategic targets and corporate culture and values. At present, Türk Telekom has 24 thousand employees, and Türk Telekom Group has 35 thousand employees. In 2011, two thousand new employees joined the Türk Telekom family.

With its extensive service network spread across Turkey, Türk Telekom has strong regional employment potential. Undergraduates studying in large cities are employed by Türk Telekom offices in their city upon graduation. As a result, Türk Telekom makes a significant contribution to the elimination of "brain drain". According to the fourth quarter 2011 report by ICTA, Türk Telekom Group accounts for 67% of the total employees in the industry in Turkey.

24 thousand employees together on the same platform

Türk Telekom family's internal communication portal "İlettişim" offers 24 thousand employees from an 81 provinces an important means of self-development, as well as crucial information such as corporate data, work-related resources, personal data, demand management and other information required in their social life. Türk Telekom's Human Resources organize regular visits to regional directorates in order to promote and popularize this platform.

Always standing by its employees...

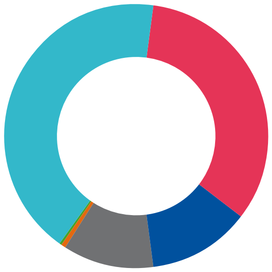
Türk Telekom's Health and Social Assistance Foundation offers employees and their families not only SGK (Social Security Agency) benefits, but also private health services and social assistance means.

Türk Telekom Academy

Driving force of corporate information management

Türk Telekom Academy conducts training and development activities in order to sharpen the Company's competitive edge in the industry to foster the development of Türk Telekom Group's intellectual capital, and to transform the individual know-how of employees into corporate know-how. By bringing a holistic approach to Türk Telekom's well-established training and development activities, Türk Telekom Academy increased the per employee training time to 47.41 hours in 2011, up 72% from the prior year's 27.5 hours. Of this total, 29.71 hours were delivered through classroom training, and the remaining 17.70 hours via the e-education platform.

Education Status of Employees (2005)



Education Status of Employees (2011)

35 thousand employees

Türk Telekom Group employs 35 thousand people.

Electronic library

In addition to its training and development efforts, Türk Telekom Academy joined forces with various institutions in 2011 to support Türk Telekom Group's intellectual capital management. As a result, it is now possible to access a wide range of information resources via the Türk Telekom Academy website. Via the portal, Türk Telekom Group employees can easily access important information resources such as EBSCO, a critical provider of data access, IEEE, a rich database of electric-electronic engineering and computer sciences, as well as Excellence Series and Skillsoft IT E-Education Catalogue.

E-English

E-English, an English E-Education Program, developed by Türk Telekom Academy, is the first corporate online foreign language education program designed and developed according to the specific needs and targets of a company. As a communication-based education program with a special emphasis on business English, and complete with virtual classroom and mentoring/support applications, Türk Telekom Academy E-English became accessible to all employees through its first module in November 2011.

Certification Programs

In 2011, Türk Telekom Academy's Personal Development and Manager Training School launched two certification programs designed to help managers acquire the necessary professional qualifications and hone their leadership skills and vision.

Türk Telekom Academy's Technical Operations School created the Access Field Employees Competence Development Certification Program (ESÇYGSP) in order to enhance the professional and personal proficiency of copper and fiber access field employees. Unique to Türk Telekom, this program has no equivalent in the sector.

"Value to the Future" Project in Universities

Türk Telekom's "Value to the Future" Project, initiated by Türk Telekom Academy in 2010 to reach out to youth and to prepare them for the future, and was completed with a closing event held on April 26, 2011 at ITU. This project comprising training and development activities reached a total of 10,000 students with visits to 12 universities in 11 provinces.

Türk Telekom Academy supports education and development activities of Türk Telekom Group employees.

Türk Telekom Human Resources

TÜTED

Türk Telekom Academy joined forces with TÜTED (Association for Telecoms Businessmen) to design various programs to sharpen the international competitive edge of the Turkish telecoms industry. These certification programs are particularly oriented toward undergraduate and high school students in telecoms, and recent university graduates. Supported by Ministry of Transport and ICTA, the project aims to train well-educated and highly skilled R&D experts for the Turkish telecoms sector.

International Telecommunication Union's Center of Excellence

Pursuant to a cooperation agreement signed with the UN's International Telecommunication Union in May 2010, Türk Telekom Academy has become a ITU Center of Excellence (CoE). Under this collaboration, Türk Telekom Academy is in charge of developing ICT human resources for a region including Europe, CIS, the Middle East and Africa. The "Center of Excellence" label is a truly ground-breaking achievement for Turkey. As a result, Türk Telekom Academy now serves as a link between ITU and its geographic region of responsibility, establishes a firm communication network with other CoEs, and caters to regional development and training needs jointly with ITU.

In 2011, Türk Telekom Academy held two different workshops under this cooperation. The workshop entitled Negotiation Skills for Technical Professionals was held in Istanbul, on July 6-7, 2011 with the participation of 24 professionals from 12 countries. The Cloud Computing Architectures Workshop was held on December 13 and 14, 2011 in Istanbul, with the participation of a large number of professionals from numerous countries.

Cooperation with Universities

Türk Telekom Academy supports the training and development of Türk Telekom Group personnel through comprehensive cooperation agreements with universities. Such collaboration with Bilkent University, Bahçeşehir University and Fatih University, enables employees to benefit from master's degree programs at a discount rate. Through these efforts, Türk Telekom Academy makes a significant contribution to the enhancement of the employee profile and intellectual capital, and to the training of employees who will potentially benefit the industry in the future.

In 2011, 16 Türk Telekom employees successfully completed the selection process of universities and Türk Telekom Academy, and enrolled in MBA, Executive MBA and master's degree programs at participating universities.

Over the last six years, Türk Telekom's total consolidated investment exceeded TL 11 billion and the Company introduced cutting-edge communication technologies to Turkey.

Türk Telekom Investments and Infrastructure Projects

Transmission systems projects

New transmission projects create back up and provide service diversification, by enhancing the transmission infrastructure; by meeting demand for capacity through voice services, point-to-point services; and value added and manageable services, and by ensuring the efficient use of the fiber optic infrastructure. These efforts upgrade network topologies, enhance the administration/ management capacity of networks and provide a more secure infrastructure service.

- *Transmission fiber optic investments:* Türk Telekom laid 6,650 km of fiber optic cables in 2011, to create new transmission routes, third direction transmission routes and fiber optic route separation. As of 2011 year-end, the total length of fiber optic cables for transmission is 120 thousand km.
- *Underwater Fiber Optic Cable Project:* Two underwater fiber optic connections were laid in the Bosphorus and three in the Dardanelles. These have been integrated with the present cable network, to allow for five separate underwater fiber crossings across the Bosphorus and the Dardanelles.

Türk Telekom's technology bridge to the Turkish Republic of Northern Cyprus

In October 2011, Türk Telekom embarked on a project to connect Turkey and the Turkish Republic of Northern Cyprus (TRNC) with new underwater and terrestrial fiber optic lines. Until that date, communications services in TRNC were delivered through a fiber optic line (TURCYOS I) laid between Mersin and Girne in 1994. Now, the new underwater Gazi Magosa-Hatay fiber optic line enables TRNC access to new generation communication services. In addition voice, Internet and data traffic have also started via Türk Telekom's fiber infrastructure. Named TURCYOS II, this new fiber optic line also provides the alternative connection much needed in the Southern and Southeastern provinces of Turkey. A distribution unit integrated to this line will provide a connection to countries on the Eastern Mediterranean in the future.

Telepresence infrastructure

Telepresence can be defined as an advanced videoconferencing system allowing conferences between two or more remote locations, as if the participants were face-to-face, in the same room. Already used in Türk Telekom offices for three years, the Telepresence infrastructure now serves corporate clients. Türk Telekom utilizes Telepresence to establish visual communication with Group companies and business partners, cutting travel and accommodation costs significantly. Launched

31 thousand km

Total length of fiber optic cable network thanks to FiberkenTT project in 2011

in 2009 in three offices, this system now is accessible in a total of 33 service points, five of which feature triple-screen models. Total travel and accommodation savings since the establishment of this infrastructure has totaled USD 5 million. Telepresence infrastructure has paid for itself in a short span of time and allowed for more efficient time management, and now meets surging demand from customers.

Multiple communication points: Multimedia Public Telephones

With the opening of multimedia public telephones which deliver not only voice, but also e-mail, Internet, SMS, image/video shooting-sharing and videophone services, nine thousand Wi-Fi public telephone points are now ready to be put into use.

Access network development lab (ANFP)

The Access network development lab was established as part of frequency planning efforts, to reduce the mutual interference (diaphony) of systems running on the copper network, and to ensure the most efficient use of the communication network. The lab particularly focuses on testing the compatibility of systems, devices and cards in the process named Local Network Sharing (YAPA).

New Generation Networks Project (TTNGN)

TTNGN allows the replacement of the TDM switchboards and local offices in the current Türk Telekom PSTN infrastructure with new generation and high quality devices. This overhaul yields a significant cost savings in energy and maintenance; the renewed switchboards take up much less space and can be operated at the same service quality with less personnel.

Overhaul of the energy and cooling systems

This transformation is carried out to ensure the sustainability of all systems across the Company, and enhance operational productivity. DC Energy Systems Transformation, Solar Energy, Freecooling, Free Consumer and similar projects have greatly reduced energy and maintenance costs and minimized system disruptions.

Over the last six years, Türk Telekom's total consolidated investment exceeded TL 11 billion. Türk Telekom introduced cutting-edge communication technologies to Turkey and strengthened its reputation with a fiber optic cable network of 178 thousand km.

Türk Telekom Investments and Infrastructure

FiberkenTT Project

The length of the fiber optic cable for access purposes reached a total of 31 thousand km with the addition of around 11 thousand km in 2011. The FiberkenTT project has been designed to transform Türk Telekom's current copper access infrastructure to a fiber optic one. Under the five-year long FiberkenTT project, the existing switchboard buildings are emptied across Turkey and energy and cooling costs will be cut drastically.

External Access Systems (EAS) Transformation Project

The general average speed of this project featuring the "Fiber to the Curb/Building" (FTTC/B) application, went up from 9.8 Mbps as of year-end 2010 to 12.5 Mbps as of 2011 year-end, thanks to the transfer of subscribers at low speed to FTTCs and the addition of new subscribers to the FTTCs.

As a result of efforts throughout 2011, the number of installed EAS cabins totaled 21 thousand, composed of 13 thousand FTTC (fiber to the curb) and 8 thousand FTTB (fiber to the building). The number of installed ADSL ports stands at 2.2 million, and the number of active ADSL ports at 1.5 million, comprising 1.4 million FTTC and around 104 thousand FTTB. FTTC and FTTB were established as part of the VDSL transformation, which promises higher speed with a reduction of the transfer distance. As a result, the infrastructure necessary for such services IPTV and Tivibu, which demand large bandwidth, is expanded continuously.

"Fiber to the Home" projects

The projects named "Fiber to the Home" ensure that data received from any point on the network is delivered to every single user at the desired bandwidth.

The replacement of IPTV- and ATM-based products with IP-based products, through the xDSL network that enables high speed data transfer via copper telephone lines, not only decreases the number of ADSL disruptions but also boosts the quality and operational efficiency of the systems. In 2011, its total capacity reached around 10 million ports.

Türk Telekom IP/MPLS, Turkey's largest MPLS network as of 2011 year-end, delivers rapid, quality and diversified services to the end-user by consolidating transmission links of different and independent networks.

Türk Telekom's market capitalization rose to TL 24.5 billion as of 2011, up from TL 22.8 billion in 2010; as a result, the Company is one of the most valuable firms in the country.

Investor Relations

Carrying out its public disclosure and transparency efforts in full compliance with corporate governance principles, Türk Telekom equally protects the interests of all of its shareholders and stakeholders. In 2011, Investor Relations focused on providing timely, accurate and complete information to shareholders and all related parties. The department met with over 330 investors at various investor meetings and conferences, and responded to all inquiries from analysts.

The Investor Relations website was enhanced in 2011 through an analysis of best practices across the world; and it now provides the most rapid access of information to shareholders and stakeholders. As Turkey's first investor relations website compatible with tablet computers and mobile phones, it has Turkish and English versions which are updated simultaneously. Complete with analysts' reports and expectation survey results, the website also features the automatically updated share price of Türk Telekom on its home page for the convenience of users.

Türk Telekom's monthly economic bulletin published since January 2011, also met with great interest from investors, and in no time became a pioneering publication in the industry, both domestically and internationally.

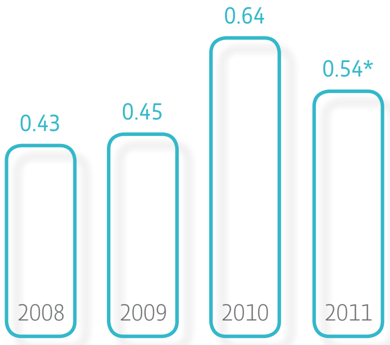
In 2011, Türk Telekom cooperated with Central Registration Agency (MKK) to launch the "Shareholder Benefit" program, implemented across the world by all leading companies; as a result, it became the first company to follow this practice in Turkey. The practice offers shareholders various opportunities according to their shareholding performance. Those investors who have a PSTN subscription were offered free minutes and those who have held TTKOM shares since the IPO had the chance to meet with senior management.

Rated in 2009 by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA Corporate Management and Rating Services Inc.), Türk Telekom is the one and only Turkish telecoms company with a corporate governance rating. Featured in ISE's Corporate Governance Index, Türk Telekom increased its corporate governance rating to 8.37, up from the previous year's 8.27, once again confirming its commitment to corporate governance principles. The main categories of Türk Telekom's corporate governance rating were as follows:

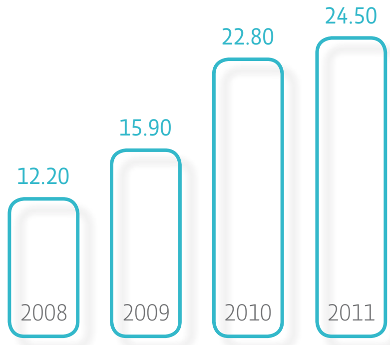
Main Categories and Scores Received	2011
Shareholders	8.07
Public Disclosure and Transparency	9.31
Stakeholders	9.33
Board of Directors	6.79

This assessment is a clear indication that Türk Telekom largely complies with CMB's corporate governance principles, and implements the required policies and practices. As a result of this assessment, Türk Telekom confirmed that it was efficient management and internal control mechanisms, identifies and actively manages a large proportion of corporate governance risks, protects the rights of shareholders and stakeholders in a fair manner, runs premium public disclosure and transparency practices, and documented that the structure and operation of the Board of Directors was built on a solid foundation.

Dividend earnings per Share (TL)



Türk Telekom Market Capitalization (billion TL)



* Subject to approval by the General Assembly.

8% In 2011, while the ISE 100 Index fell by 22%, TTKOM's share price gained 8% in value (17.5%, if the dividend effect is excluded).

78% While the share of foreign investors in free float in the stock exchange is 68.2% in 2011, it stood at 77.57% for TTKOM shares.

Traded on the ISE since May 2008, Türk Telekom has become one of the most valuable companies on the stock exchange as a result of its superior financial and operational performance, successful management team and active investor relations efforts. Türk Telekom's market capitalization rose from TL 22.8 billion as of 2010 year-end to around TL 24.5 billion as of 2011 year-end.

From the Türk Telekom IPO until 2011 year-end, the ISE-100 Index gained 32% in value, while TTKOM stock increased 100%. In 2011, the stock exchange was very volatile and the ISE-100 Index lost 22% of its value. The share of foreign investors in free float in the stock exchange was 68.2%. Nevertheless, TTKOM's share price, despite a dividend distribution totaling TL 2.2 billion in 2011, rose from TL 6.50 as of 2010 year-end to TL 7.02 as of 2011 year-end, gaining 8% in value (17.5% if the dividend effect is excluded), and the share of foreign investors in free float reached 77.57%, well above the ISE average. Türk Telekom shares had gained 55% in 2010, pleasing investors immensely.

Featured in the ISE Dividend 25 Index, Türk Telekom has paid TL 5 billion in dividends since 2008. Having broken a record in ISE history in 2010 by paying TL 1,590 million in gross cash dividends, it then broke its own record in May 2011 and distributed its entire 2010 distributable profit of TL 2,244 million in gross cash dividends. Türk Telekom's Board of Directors decided to propose to the General Assembly on May 25, 2012, the distribution to shareholders of the entire 2011 distributable profit of TL 1,896 million. In the event the General Assembly approves this proposal, Türk Telekom investors' dividend earnings per share in the years 2008, 2009, 2010 and 2011 will respectively be TL 0.43, TL 0.45, TL 0.64 and TL 0.54.

In 2011, as a result of intensive target-oriented efforts by Investor Relations, Türk Telekom's corporate investor base improved significantly over previous years. As of year-end, Türk Telekom has over 230 corporate investors, 48% of which are US based funds and 34% Europe based funds. The number of financial intermediaries actively monitoring Türk Telekom is over 30, a high number by Turkish standards.

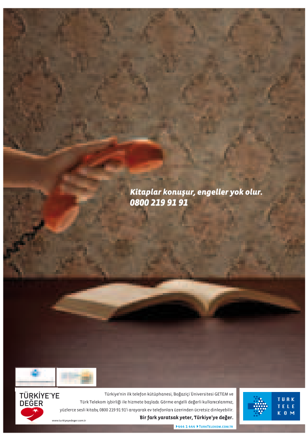
Dividend	Gross Cash Dividend (TL million)	Net profit (TL million)
2008	1,490	1,752
2009	1,590	1,832
2010	2,244	2,451
2011	1,896*	2,069

* Subject to approval by the General Assembly.

Share of Foreign Investors in Free Float (%) (As of year-end)	TTKOM	ISE- 100
2008	53.61	65.1
2009	62.57	67.7
2010	77.77	66.8
2011	77.57	68.2

Türk Telekom gives life to the social responsibility projects under the umbrella “Türkiye’ye Değer” with the responsibility of being a good corporate citizen, adding value to community life.

Corporate Social Responsibility



Türk Telekom contributes to society through investments not only in technology and infrastructure, but also in Turkey’s human resources. Türk Telekom adds value to social life with its nationwide social responsibility project Türkiye’ye Değer (Value to Turkey).

“Türkiye’ye Değer” (Value to Turkey) includes such vast, national social responsibility initiatives as the Books On the Phone Project, Türk Telekom Schools, Türk Telekom Internet Houses, Türk Telekom Amateur Sports Clubs and e-Billing Forests. Türk Telekom’s provincial directorates have organized more than 100 local social responsibility initiatives as part of this project. In the last three years, in recognition of its social responsibility projects, Türk Telekom received more than 80 national and international awards.

- Thanks to Türk Telekom Schools project, 76 school buildings were constructed to serve 30 thousand students.
- Thanks to Türk Telekom Internet Houses project, 1,000 Internet houses were opened across Turkey. Each house is visited by approximately 200 people daily.
- Türk Telekom’s amateur sports clubs trained 28 thousand athletes in 10 years. Some of these athletes represented Turkey in international championships and achieved great success.

The film “Stories Worthy of Turkey” documents the stories of youngsters who turned a new page in their lives and reached for success thanks to the social responsibility project “Value to Turkey, Worth to Turkey” organized by Türk Telekom, Turkey’s pioneering communications and convergence technologies company. The film narrates the stories of nine youths, who got one step closer to their goals with the education they received at Türk Telekom schools. The students became champions following their training at Türk Telekom’s amateur sports clubs, and developed themselves with the technological means available at Internet houses. Uğur Fidan and Daham Özgel, who had the chance to further their education at Türk Telekom schools; Büşra Varol, Hülya Yılancı, Işıl Gençtürk, Güner Yalçın, Furkan Kızılkaya and Betül Özen, who pursued their dreams of a sports career at Türk Telekom’s sports clubs and joined national teams; and Naime Durak, a frequent visitor to Türk Telekom Internet House, tell their own stories in the film.

Authors of "Stories Worthy of Turkey"

Betül Özen, athlete at Çanakkale Türk Telekom Sports Club

Fourteen years old, Betül Özen is an eighth grade student at Çanakkale Özel İsmail Kaymak Koleji. Betül was born without a right arm, but she has grabbed on to life from the age of five with her mechanical arm and hand. Betül's life changed radically four years ago, when her talent for sports was discovered at primary school. Her school principal and physical education teacher saw her playing volleyball, and encouraged her to join the school's basketball team. In no time, she stood out with her successful performance, became a star player of the team, and eventually joined the Türk Telekom Sports Club. Betül plays the piano and the organ, and is a skilled swimmer. Betül says that she has never felt inferior because of not having a right arm and is intent on representing Turkey in international competitions as a talented athlete.

Büşra Varol, athlete at Trabzon Türk Telekom Sports Club

Büşra Varol was born in 1993 in Trabzon. She practiced a number of sports since her childhood, and her talent in fencing was discovered by Coşkun Gökdemir, a coach at Trabzon Türk Telekom Sports Club. Büşra started training in fencing with the encouragement of her coach. Büşra says that she became passionately committed to this sport, after realizing that it is centered on self-confidence, rapid decision making, and deduction, values crucial in school studies and social life. Büşra continues her training at Trabzon Türk Telekom Sports Club and was selected to the national team numerous times due to her international achievements. She cannot forget that time in Georgia when the Independence March was played and the Turkish flag was hoisted after she came first in a special competition. Büşra is keen on bringing home more medals from competitions in Europe and the world.

Daham Özgel, graduate of Siirt Türk Telekom High School for Science

Daham Özgel was born in 1990 in the Kızıltepe district of Mardin, and has eight siblings. Daham completed the first six years of primary school in the Musa Bey village of the Menemen district of Izmir, where they had to migrate due to economic hardship; and the last two years he was back in Kızıltepe. In 2006, Daham was accepted to Siirt Türk Telekom High School for Science. Daham spent all the summer holidays during high school working in the tomato and cucumber fields of Manisa, including the year just before the university entrance exam. In 2010, he was accepted to the Dokuz Eylül University, Faculty of Medicine; he went back to Izmir, this time to become a doctor. Daham Özgel is a student at Dokuz Eylül University, Faculty of Medicine.

Furkan Kızılkaya, athlete at Eskişehir Türk Telekom Sports Club

Furkan Kızılkaya was born in Eskişehir in 1986. Furkan is in his third year at Anadolu University, Department of PE and Sports Education, and he has been a member of the Eskişehir Türk Telekom Sports Club for 17 years. He started his sports career at seven years of age, when his father proposed to enroll him at a swimming course at the Club. Since then, he has become an integral part of the Eskişehir Türk Telekom Sports Club. Furkan participated in the Turkish Championship at 13 years of age, and placed third

“Stories Worthy of Turkey” documentary narrates the stories of nine youngsters who achieved their dreams with the education they received at Türk Telekom Schools, who became champions as an athlete of Türk Telekom Amateur Sports Clubs, who became more successful in their schools thanks to Internet Houses.

Corporate Social Responsibility

in the 50-meter butterfly race. At 14, he started practicing underwater hockey, then little known in Turkey, together with nine other athletes, whom he would later come to describe as his family. In 2005, his team came second in the national competition, and nine members of the team were invited to the national team. The team came fifth at the European Championship in Marseilles, the highest achievement by a Turkish team in underwater hockey. In 2006, they came eighth in the World Championship held in Sheffield, UK and went on to win the European Championship in 2008. Furkan Kızılkaya serves as a swimming coach at the Türk Telekom Sports Club since 2005.

Güner Yalçın, athlete at Artvin Türk Telekom Sports Club
Güner Yalçın was born in the Borçka district of Artvin. Güner is in his third year at the Borçka Anatolian Vocational High School for Commerce. His talent for judo was discovered in an arm wrestling competition organized at school. Up until then Güner was known as an unruly and aggressive kid. One day he told his PE teacher Umut Aydın that he was willing to join the school arm wrestling competition for boys. At the competition, he defeated all his peers and came first. Much impressed by this performance, Umut Aydın encouraged his student to practice judo. Umut Aydın is still Güner’s coach at Artvin Türk Telekom Sports Club. During his judo career, Güner won numerous medals since 2005. He became national champion numerous times, came second in the Balkan Cup, and third in the European Cup.

Hülya Yılancı, athlete at Artvin Türk Telekom Sports Club
Hülya Yılancı was born in 1995 in the Borçka district of Artvin. She is in her third year at Borçka Vocational High School for Commerce. Hülya started practicing judo in 2005. Hülya’s life changed course thanks to the efforts of her teacher, who discovered her talent despite her family’s disapproval of girls’ becoming involved in sports. She started practicing judo in the corridors of the Yeniyol Primary School, on the bed mattresses her teacher brought over

from the Regional Boarding School. It's been five years since the time she had to sneak out to go to workouts and matches, because her grandfather would not give her permission. In this period, Hülya Yılancı came first in Turkish U21 Championship, third in the Europe U21 Cup and won numerous medals in a number of national competitions. Most recently, she won a gold medal at the 18th Nazım Canca U21 European Judo Competition.

Işıl Gençtürk, athlete at Artvin Türk Telekom Sports Club

Işıl Gençtürk was born in 1995 in Artvin's Borçka district. She is a graduate of the Borçka Demirciler Primary School, and is currently in her second year at Borçka Anatolian High School. She started practicing judo when she was discovered by Artvin Türk Telekom Sports Club coach Umut Aydın. The workouts started at school; however, came to an end due to Umut Aydın's transportation problems. Işıl was very much disappointed. However, following the floods in Borçka, the Gençtürk family was given a house in the district center by the district governorship. Işıl's life changed course, and she had the chance to follow the judo lessons at Artvin Türk Telekom Sports Club. Işıl won medals in numerous competitions. She became a national champion a number of times and came fifth in the European Cup.

Naime Durak, visitor to Türk Telekom Internet House

Naime Durak is a student who frequently visits Türk Telekom's 967 Internet houses spread across Turkey. She is a fifth grade student at a primary school in Kütahya and is a patient of rheumatic heart disease. Her movements are limited due to her disease; she cannot run or practice any sport. Since she does not have a home computer, Naime spends her free time at Türk Telekom Internet House, and uses the Internet to further her studies. She is a very successful student and has top grades in all the subjects. Naime's two siblings are also at school; however, their father is a construction worker and has a hard time paying for their education. Naime says that Kütahya Internet House is a great place to study and is intent on becoming a police officer in the future.

Uğur Fidan, graduate of Van Türk Telekom High School for Science

Uğur Fidan was born in 1992 in the Dinlence Village of Van's Erciş district. Uğur has seven siblings and is the youngest among them. He studied the first five years of primary school at the Dinlence Elementary School in their village; and went on to complete junior high school at 19 Mayıs Elementary School in the district center. During junior high, he had to walk the 14-15 km between the village and the district center and also worked as a shepherd to support his family. He showed great ambition and finished the school with top grades. His aim was to get enrolled in a high school for science and then go on to study medicine at the university. He was accepted by high schools for science in Izmir and Istanbul; however, couldn't get enrolled due to economic hardship. Then, he got acceptance from the Van Türk Telekom High School for Science which opened its doors the same year. He graduated from Van Türk Telekom High School for Science with top grades and was accepted to Dicle University's Faculty of Medicine. Uğur Fidan now studies the subject he had always dreamt of, but in summer holidays he keeps on working as a shepherd to support his family. His ultimate objective is to go back to his village and work as a doctor after graduation.

With its sustainable growth targets, Türk Telekom, developed a greenhouse gas management strategy; the Company is transforming all its business processes around this approach.

Sustainability Initiatives

Adding value to people's lives with its innovative technologies and products, Türk Telekom also works to leave a better life to future generations without compromising its sustainable growth approach.

As problems such as the dwindling of natural resources, environmental pollution and climate change loom large on the global agenda, corporations are increasingly obliged to reorganize their business processes around the principle of sustainability. Türk Telekom has clearly identified its sustainable growth targets and formulated a greenhouse gas management strategy to handle risks and opportunities associated with climate change. The Company not only transforms its office practices and business processes in line with its sustainability approach, but also strives to include all its employees, their families, its suppliers and clients in this process, as an integral part of its overall strategy.

International Efforts

2^{o} C Declaration

In 2011, Türk Telekom signed the Durban Declaration which aims to limit global temperature increase to 2° C. By joining the Durban Declaration alongside leading global companies, Türk Telekom has invited the private sector to take the necessary measures to fight climate change. In addition to signing the declaration, Türk Telekom, carried out various efforts to develop this initiative further.

Climate Platform

Türk Telekom joined the Climate Platform, established to support private sector initiatives to fight climate change and start the transition to a low carbon economy. Twenty-two companies participated in this platform created by REC and TÜSİAD. It is set to play a key role in the transition to a low carbon economy by actively participating in international debates on the future of the planet.

GeSI Membership

Türk Telekom became the first Turkish company to join the Global e-Sustainability Initiative (GeSI) which works on efficient energy consumption, energy conservation, and e-sustainability. Türk Telekom has joined GeSI's Energy Efficiency Working Group to share information and know-how with other members for the efficient use of energy and IT equipment.

EUREKA R&D Program

Türk Telekom is the first telecoms operator to be elected to the Board of Directors of the Eurogia+ Cluster under the European Union's EUREKA R&D Program. As a result, Türk Telekom will have a say in the formulation and development of European low carbon technologies.

Environmentally Friendly Products and Services

Environmentally Friendly Telephone

Türk Telekom offers those customers who want to support sustainability efforts a number of "dect" telephone options, equipped with an environmentally friendly electric system.

E-billing

Türk Telekom launched the e-billing era on February 1, 2008. Türk Telekom keeps electronic versions of the bills in its own archive, making a double-fold contribution to paper saving.

Vitamin

Türk Telekom Group Company Sebit has developed online educational software with content that can be used not only in traditional classroom lessons, but also via Internet in an interactive way. Vitamin's online education software offers flexibility in time and place to users, and reduces carbon emissions by sharply reducing paper, transport and classroom expenses. Türk Telekom offers Vitamin free-of-charge to around nine million students under its social responsibility initiatives, but also sells Vitamin in the marketplace. Even if it is assumed that Vitamin saves just one piece of paper per student, the application reduces paper consumption by 180 million pages per month.

Corporate Practices

Executive Seminars on the Environment and Climate

In April 2011, Türk Telekom held a training program on the environment and climate for 1,200 executives across Turkey. Designed to encourage the active participation of employees in Türk Telekom's transformation in line with sustainable growth approach, this training program provided information to participants for the reasons and results of climate change, and methods to fight it.

Sustainability Training for All Employees

Since December 2011, 25,000 Türk Telekom employees have received online training on climate change and its risks. The seminars place a special emphasis on changing certain daily habits to reduce climate change risks.

E-learning

Türk Telekom contributes to sustainable growth through its pioneering e-learning initiatives. In charge of the training of Türk Telekom employees, dealers and business partners, Türk Telekom Academy has been delivering its nationwide employee training seminars via the Internet for the last three years. In the last three years, online seminars reached 1.5 million participants; as a result, the Company saved 90 thousand flights and 45 million pages of paper. Thanks to e-learning, Türk Telekom slashed its carbon emission by 11 million 923 thousand kg in three years.

Starting in December 2011, Türk Telekom started to generate 2,190 MWh electricity from solar panels.

Sustainability Initiatives

Telepresence
Telepresence technology gives individuals in remote locations the chance to hold meetings as if they were in the same room. Since the launch of this technology in April 2009, 2,171 such meetings were held; as a result, the Company saved on 17,368 flights and prevented the emission of 2.18 million kg of carbon. Telepresence reduces emissions not only related to air transport, but also to vehicle use prior to and following flights, this technology makes a significant contribution in the fight against climate change.

The First Telecoms Company in the World to Use Ecofont
Winner of the European Environmental Design Award 2010, Ecofont contains little holes, which enable saving 25% in ink consumption. Türk Telekom became the first company in Turkey and the first telecoms company in the world to use the software. Used by all employees, Ecofont allows Türk Telekom to cut 22,500 kg of carbon emissions. Türk Telekom employees can print texts utilizing the Calibri, Arial and Times News Roman fonts in the Ecofont format.

Paper Recycling
In 2011, Türk Telekom recycled 40,000 kg of paper monthly at its head office buildings and 12 regional directorates and as a result saved 640 trees. The paper collected from Türk Telekom's 12 regional directorates and the head offices buildings in Ankara and Istanbul are delivered to companies authorized by the Ministry of Forestry and Water Works.

Smart Light Bulbs
In its offices across Turkey, Türk Telekom has replaced all the light bulbs with energy-saving smart bulbs to reduce energy consumption.

Thermal Insulation and Sheathing
Türk Telekom applies thermal insulation and sheathing in its new offices or offices in construction in line with the TS 825 and Energy Performance Regulation, reducing energy consumption related to acclimatization.

Transport Services for Employees
Some of more than 10,000 Türk Telekom employees across Turkey benefit from the transport services of the Company. Türk Telekom eliminates a large amount of carbon emissions, by encouraging its employees to leave their cars at home.

Solar Panels
Since the 1990s, Türk Telekom has carried out comprehensive renewable energy projects with more than 1,000 solar energy plants installed or being installed in 52 provinces. As of December 2011, Türk Telekom generated around 2,190 MWh of energy from its solar panels. Assuming that a family of four consumes around 3 MWh of energy per annum, this figure is equivalent to the annual consumption of 700 families. The generation of renewable energy prevents the emission of 1.4 million kg of carbon each year.

Energy Transformation

Türk Telekom's DC Transformation Project is designed to replace the existing energy equipment with new generation devices. Upon the completion of this Project, the Company will cut annual energy consumption by 48 million kWh and slash carbon emissions by 29.8 million kg.

Transition to New Generation Switchboards

Under its switchboard transformation initiative, Türk Telekom replaces switchboards with low energy efficiency to new generation, highly efficient ones. The project will eliminate 258 million kWh of energy consumption and 160 million kg of carbon emissions.

Free-cooling air-conditioners

Türk Telekom has started to replace the air-conditioners in system rooms with new generation "free-cooling" air-conditioners that consume much less energy. Scheduled for completion in 2011, the transition to energy-saving "free-cooling" air-conditioners will cut energy consumption by 12.8 million kWh and reduce carbon emissions by 7.9 million kg per annum.

Smart Metering Project

Türk Telekom launched the Smart Metering Project at over 10,000 locations in order to measure and analyze energy consumption levels. This project is designed to monitor in real time not only energy consumption but also internal and external temperatures, and to cut annual carbon emissions by 1.13 million kg.

"Hatta Çözüm" Project

Türk Telekom's "Hatta Çözüm" Project is designed to send breakdown complaints, and application or transfer requests from customers directly to field officers via the Internet, and ensure a more efficient and productive use of the workforce. Under this initiative, a monthly average of 220 thousand application or transfer requests and 420 thousand breakdown complaints will be transferred online, cutting paper consumption by 2,000 kg.

Fuel Oil Savings

Türk Telekom owns one of the largest vehicle fleets in Turkey. The Company cut fuel oil consumption significantly by renewing its cars with new generation models and installing GPS application on its vehicles. As Türk Telekom reduced carbon emissions related to its fleet by an 1.7 million kg annually. Thanks to these measures, the Company saved 700 tons of fuel and cut the distance covered by 13 million km, in comparison with the prior year.

Electric cars in the Princes' Islands

In order to support a decision by the Ministry of Culture and Tourism to replace fuel oil cars with electric vehicles in the Princes' Islands, Türk Telekom became one of the first companies to take the necessary steps. Türk Telekom replaced all its vehicles running on fuel oil with environmentally friendly electric cars with zero carbon emission for use by its staff on the islands.

Waste Management

Holder of the ISO 14001 Environment Management System certification, Türk Telekom separates its waste through an efficient waste registration and information system, to be delivered to plants certified by the Ministry of Environment and Urbanization for elimination and recycling.

Food Waste Management

In order to ensure the elimination of all waste oil and food in line with Türk Telekom Food Security Standardization, Türk Telekom inspects all the catering firms it works with.

Climate Change Exhibition

The exhibition Climate Change: The Threat to Life and A New Energy Future had been organized by the American Museum of Natural History in 2008 in New York, and had attracted 237,000 visitors. This fun and educational exhibition opened at santralistanbul from October 4, 2011 to January 15, 2012, under the main sponsorship of Türk Telekom. The exhibition had very rich content including interactive sections, video shows, workshops and display objects with a high visual quality. Its objective was to raise awareness of climate change and global warming, and to provide information to children and their parents for the short and long term effects of individual actions.

The exhibition comprised eight main sections; however, Türk Telekom's corporate climate change and global warming solutions were included as the ninth Section, inspired by the world-renowned visual concept "100 Green Solutions".

The exhibition drew record numbers of children and youth from more than 170 schools. It was visited by over 10 thousand students from elementary and high schools and universities.

Projects worthy of Turkey

1,000 **internet houses**

1,000 internet houses in all districts throughout Turkey

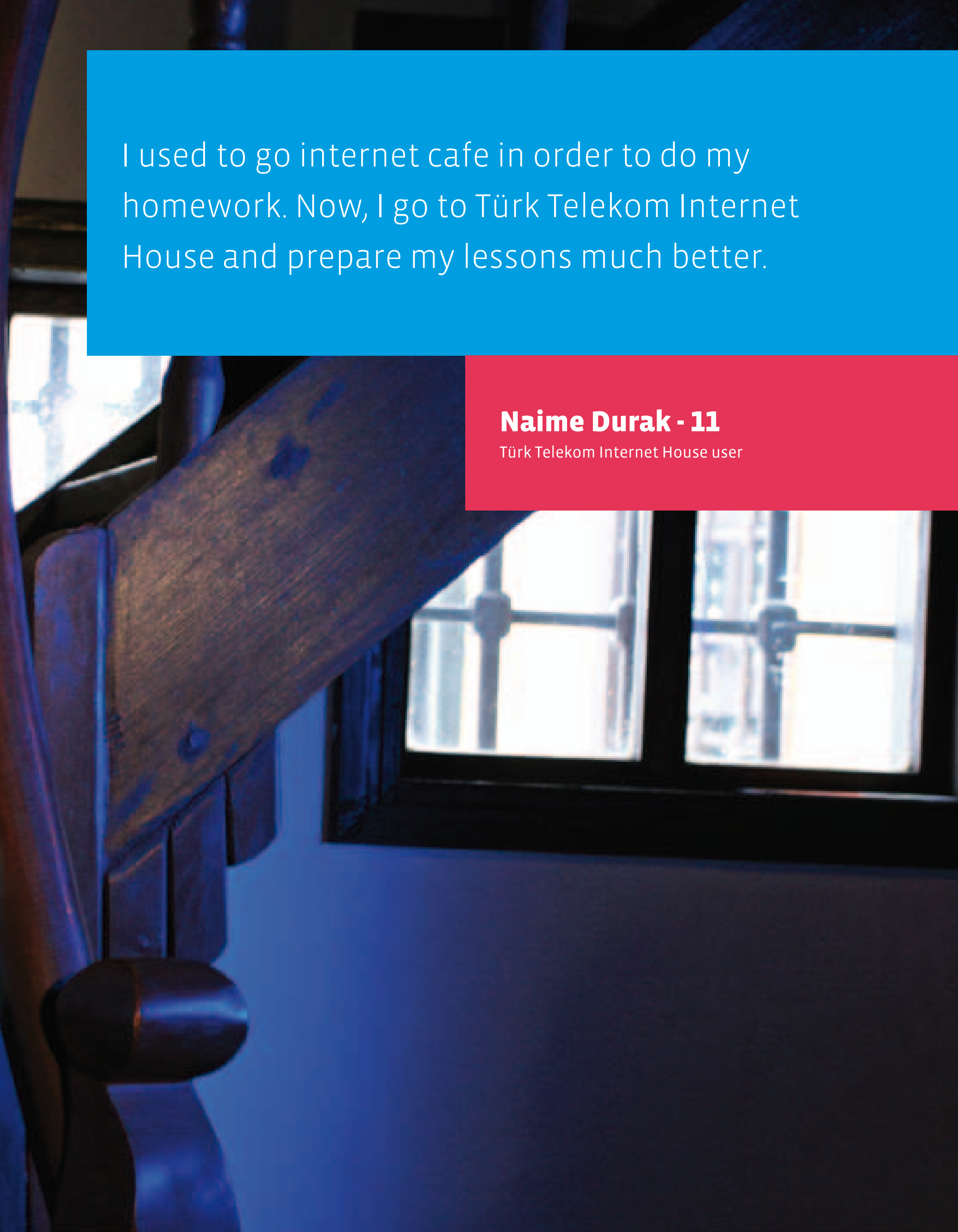
Türk Telekom Internet Houses

Implementing social responsibility projects within the scope of “Stories Worthy of Turkey”, Türk Telekom also established internet houses offering free internet service throughout the country with the understanding, “There is no future without education, and no education without the internet”. To date, 1,000 Türk Telekom Internet Houses were opened throughout the country, each with 20 fully equipped computers with broadband internet access.

I used to go internet cafe in order to do my homework. Now, I go to Türk Telekom Internet House and prepare my lessons much better.

Naime Durak - 11

Türk Telekom Internet House user



Naime suffers from rheumatic heart disease limiting her physical activities. Naime opens a big window to the world with the internet she accesses from Türk Telekom Internet House.

Naime Durak is one of the students who frequently visits Türk Telekom's 1,000 Internet houses spread across Turkey. Naime is a fifth grade student at a primary school in Kütahya and she has rheumatic heart disease. Her movements are limited due to her disease; she cannot run or practice any sport. Since she does not have a home computer, Naime spends her free time at Türk Telekom Internet House, and uses the Internet to further her studies. She is a very successful student and has top grades in all subjects. Naime's two siblings are also at school; however, their father is a construction worker and has difficulty paying for their education.

Naime says that Kütahya Internet House is a great place to study and she wants to become a police officer in the future.

Corporate Governance

Important Developments after the Accounting Period

2012 Guidance

Regulatory Disclosure dated February 15, 2012
We expect:
* Consolidated revenue growth to be 6% to 8%.
* EBITDA margin to be at low 40%s.
* Consolidated CAPEX to be around TL 2.4 billion.

Utilization of Long-Term Loans

Regulatory Disclosure dated February 21 and 24, 2012
On February 21, 2012, our Company has signed a loan agreement with China Development Bank (CDB) which includes USD 500 million principal amount with eight years maturity, 2.5 years of grace period and semi-annual payment of interest in order to finance our Company's and affiliates' procurements within the context of our investment program. Payments of interest will be made semiannually after the utilization of the loan. Payment of the principal amount will be made in installments semiannually after the grace period. The interest rate is Libor + 2.85% per annum.

Regulatory Disclosure dated March 20, 2012
On March 19, 2012, our Company has signed a club loan agreement with 13 banks amounting to Euro 239.4 million and USD 285.2 million with three years maturity including two years of grace period, in order to finance our Company's general working capital needs. The interest rate is Euribor + 3% per annum for Euro 239.4 million and Libor +3% per annum for USD 285.2 million.

For the deal, Bank of America Securities Limited, Bank of Tokyo-Mitsubishi UFJ, LTD and BNP Paribas act as Mandated Lead Arranger, Bookrunner and Coordinator; Export Development Canada, JP Morgan Limited, Mizuho Corporate Bank, LTD, Natixis Dubai Branch, HSBC Bank Plc and West LB AG London Branch act as Mandated Lead Arranger; Standard Chartered Bank, Citibank N.A., Nassau Branch, Akbank AG and Raiffeisenlandesbank Niederösterreich-Wien AG act as Lead Arranger.

Avea Capital Increase

Regulatory Disclosure dated February 29, 2012
Our subsidiary Avea held its Extraordinary General Assembly Meeting on February 28, 2012.

It was resolved that Avea's share capital will be strengthened, and within this context Avea's total paid in share capital of TL 7,115,000,000 will be decreased by TL 3,295,000,000 in order to eliminate losses from previous years; then it will be increased by the same amount of TL 3,295,000,000, in cash, back to TL 7,115,000,000; additional issue premium of TL 1,080,810,157 will be paid accordingly.

Our Company will fully participate in the capital increase. If other shareholders of Avea (Six Isbank Group companies) decide not to participate in the capital increase, their preemptive rights will be used by our Company as well. Four of the Isbank Group companies representing a majority disclosed that they will not participate in the capital increase. Total payment of our Company for the capital increase will be finalized based on the decisions of the other two companies of Isbank Group (Trakya Yatırım Holding A.Ş. and Efes Holding A.Ş.).

The total amount of the capital increase to be paid by Avea shareholders including the issue premium is TL 4,375,810,157. The Avea Board resolved that proceeds from the capital increase will be fully used for repayment of shareholder loans granted by our Company (Board Resolution dated February 27, 2012). Therefore, the capital increase in Avea will not result in any net cash outflow from our Company.

Regulatory Disclosure dated March 30, 2012
It was announced on February 29, 2012 that our mobile subsidiary Avea's General Assembly convened on February 28, 2012 and decided to decrease Avea's share capital and increase it back to original amount with a share premium. In this process, the Isbank Group Companies, then owning 18.63% of Avea shares, decided not to exercise their preemptive rights and our Company exercised their unexercised rights, as well as its own rights. With this decision our share in Avea increased to 89.9965%.

Licensed Professional

Regulatory Disclosure dated March 30, 2012
Pursuant to Article 8 of Capital Markets Board Communiqué Serial IV No: 41 Communiqué, in order to fulfill the obligations under the Company's capital market regulations and coordinate the corporate governance applications, Corporate Governance & Compliance Manager Süleyman Kısaç who has Capital Market Activities Advanced Level License (License No.: 205170) and Corporate Governance Rating Specialist License (License No.: 700 729) will take the responsibility due to a change in Abdullah Orkun Kaya's duty.

Dividend Distribution Proposal

Dividend Distribution Table

2011 DIVIDEND DISTRIBUTION TABLE OF TÜRK TELEKOMÜNİKASYON A.Ş. (*)

1) Paid/Issued Capital			3,500,000,000
2) Total Legal Reserves (in accordance with statutory records)			1,942,097,943
If there is information about privilege in dividend distribution in accordance with the AoA			None
DISTRIBUTION OF THE PROFIT FOR THE PERIOD		Acc. to CMB	Acc. to Statutory Records (SR)
3) Profit for Tax the Year		2,778,250,496	3,069,661,419
4) Tax Expenses (-)		709,572,573	599,251,474
5) Net Profit for the Period (=)	(3-4)	2,068,677,923	2,470,409,945
6) Prior Years' Losses (-)		0	0
7) First Legal Reserves (-)	((5YK-6YK)*0,05)	0	0
8) NET DISTRIBUTABLE PROFIT (=)	(5-6-7)	2,068,677,923	2,470,409,945
9) Donations made during the year (+)		42,030,144	
10) Net distributable profit including donations that is the base of calculation of first legal reserves	(8+9)	2,110,708,067	
11) First Dividend (10*the minimum rate determined by CMB)			
- Cash		422,141,613	
- Share			
- Total			
12) Dividend paid to preference shares	(Amount of the dividend for privileged shareholders in accordance with the Articles of Association)		
13) Dividend paid to the Board Members, employees, et al.			
14) Dividend paid to redeemed share owners			
15) Second Dividend		1,474,383,772	
16) Second Legal Reserves	((11+12+13+14+15+20)-(H4*0,05))/10	172,152,538	
17) Status Reserves		0	
18) Special Reserves		0	
19) EXTRAORDINARY RESERVES	5-(6+7+11+12+13+14+15+16+17+18)	0	
20) Other Distributable Sources			
- Prior Years' Profits			
- Extraordinary Reserves			
- Other Distributable			
Reserves in accordance with legislation			

(*) Since, CMB has not published 2010 and 2011 dividend distribution guidelines, 2011 dividend amount is calculated in accordance with prior year dividend distribution guidelines

Dividend Distribution Proposal

Dividend per Share Table

TÜRK TELEKOMÜNİKASYON A.Ş. (2011)

	DIVIDEND PAYOUT RATIO INFORMATION DIVIDEND PER SHARE			
	GROUP	TOTAL DIVIDEND AMOUNT (TL)	DIVIDEND TO BE DISTRIBUTED FOR EACH SHARE TRADED WITH A NOMINAL VALUE OF TL 1	
			AMOUNT (TL)	PERCENTAGE (%)
GROSS	A	1,043,088,961.73	0.54186	54.19
	B	526,285,794.33	0.54186	54.19
	C	0	0	0
	D	327,150,628.91	0.54186	54.19
	TOTAL	1,896,525,384.96	0.54186	54.19
NET	A*	1,043,088,961.73	0.54186	54.19
	B**	447,342,925.18	0.46058	46.06
	C***	0	0	0
	D****	278,078,034.57	0.46058	46.06
	TOTAL	1,768,509,921.484	0.46058	46.06

DIVIDEND DISTRIBUTED TO SHAREHOLDERS (TL)	THE RATIO OF DIVIDEND DISTRIBUTED TO SHAREHOLDERS TO NET DISTRIBUTABLE INCOME INCLUDING DONATIONS (%)
1,896,525,384.96	89.85

* Group A shares of our Company are owned by Oger Telecom. As Oger Telecom is a full liability tax payer, there will be no withholding tax in the dividend payment.

** Group B shares of our Company are owned by the Turkish Treasury and are subject to withholding tax.

*** Our Company has only 1 Group C share, which is owned by the Turkish Treasury and does not have the right to receive dividend payment according to our Articles of Association.

**** Group D shares of our Company constitute 17.25% of the total capital. Of this amount, 2.25% are owned by the Turkish Treasury and are non-public. As to the remainder of the shares, which constitute 15% of the total capital traded on the Istanbul Stock Exchange, our Company is not able to identify shareholders as “limited liability tax payer, full liability tax payer, real person or legal person”. Gross and net dividend calculation for this group is made on the assumption that all of the Group D shares are subject to withholding tax.

Board Recommendation regarding Dividend Distribution

It is resolved for the decision of our Company's General Assembly to be held on May 25, 2012;

1. Our Company's net profit of the fiscal year 2011 according to the independently audited consolidated financial statements prepared in accordance with the "CMB Communiqué About Financial Reporting in Capital Markets Serial: XI No: 29" is TL 2,068,677,923 and according to the Turkish Commercial Code clauses and Tax Procedure Law is TL 2,470,409,945,
2. According to the CMB Communiqué Serial IV No: 27, the profit after tax amount of TL 2,068,677,923 is the base amount for dividend distribution,
3. Although it is obligatory to set aside first legal reserves until the reserve amount reaches 20% of the paid in capital in accordance with Article 466 of the Turkish Commercial Code, as the cap for first legal reserves has been reached in the previous years, it is decided not to set aside any first legal reserves for 2011,
4. According to the consolidated financial statements, TL 2,110,708,067 shall be the base for first dividend which is reached with adding the donations made in 2011 of TL 42.030.144 to TL 2,068,677,923, which is net distributable profit of 2011.
5. It is decided to distribute 20% of TL 2,110,708,067 (first dividend base), TL 422,141,613 as cash first dividend, in accordance with "CMB Communiqué Serial IV No: 27". The second legal reserve of TL 172,152,538 shall be set aside and the remaining TL 1,474,383,772 shall be distributed as cash second dividend.
   a) The total cash dividend amount to be distributed of TL 1,896,525,385 shall be covered by current period net profit.
   b) Accordingly, 0.5418644 Kurus (54.18644%) gross cash dividend per each share worth for 1 Kurus nominally shall be distributed to our shareholders and the total gross cash dividend distribution amount shall be TL 1,896,525,385.
6. The distribution of the cash dividends to our shareholders shall begin on May 29, 2012, at Merkezi Kayıt Kuruluşu A.Ş. Süzer Plaza Askerocağı Caddesi No.: 15 Kat: 2 34367 Elmadağ-Şişli İstanbul.

Türk Telekomünikasyon A.Ş. ("Türk Telekom") pays utmost attention to implement the Corporate Governance Principles published by the Capital Markets Board of Turkey ("CMB").

Corporate Governance Principles Compliance Report

Statement of Compliance with Corporate Governance Principles

Türk Telekomünikasyon A.Ş. ("Türk Telekom") pays utmost attention to implement the Corporate Governance Principles published by the Capital Markets Board of Turkey ("CMB"). The Company updates its annual and interim activity reports and corporate website, and makes them available to its shareholders to satisfy the principles. Shareholders have access to comprehensive information through the Türk Telekom corporate website, which is constantly kept up-to-date, as well as the possibility to direct their queries to the Capital Markets and Investor Relations Department

Türk Telekom received an overall Corporate Governance rating of 8.37 as a result of an independent assessment by SAHA Corporate Governance and Credit Rating Company, incorporated by CMB. Our Company's Corporate Governance Rating has increased to 8.37 from 8.27 in the prior year.

The Corporate Governance Rating was calculated as a result of the examination made under four major areas(Shareholders, Public Disclosure and Transparency, Stakeholders, Board of Directors) weighted differently within the framework of the CMB's Corporate Governance principles. The breakdown of our corporate governance rating under major categories is as follows:

Sub Categories	(%) Weight	2011
Shareholder	25	8.07
Public Disclosure & Transparency	35	9.31
Stakeholders	15	9.33
Board of Directors	25	6.79
Total	100	8.37

This rating assigned to Türk Telekom based on the Corporate Governance Principles is a clear sign that our Company is compliant with CMB Corporate Governance Principles to a large extent, has put the necessary policies and safeguards into effect and our Company's efforts for fully complying with the Corporate Governance Principles will continue.

Reasons for non-complied Corporate Governance Principles

Absence of an independent Board member and that cumulative voting system is not used:

Election of independent board of directors will be made in accordance with Communiqué Serial: IV, No: 56 on the Determination and the Enforcement of the Corporate Governance Principles amended by Communiqué Serial IV, No.: 57 and related regulation in the General Assembly Meeting in 2012. Independent board members will be identified according to the criteria which are indicated in corporate governance principles. Amendment to the Articles of Association will be made according to corporate governance principles. Our Company has chosen not to use the cumulative voting system since it is not a practical system.

That the Articles of Association entitle shareholders to appoint a special auditor, and that there is no additional provision on minority rights:
Regarding this matter, our Company is of the conviction that the framework provided for by the Turkish Commercial Code and the CMB regulations is sufficient. According to the New Turkish Commercial Code, which will go into effect in July, 2012, rights of shareholders to appoint a special auditor will be protected.

Presence of voting privileges:
The privileges attached to the Golden Share held by the Republic of Turkey Undersecretariat of Treasury are statutory (4763 numbered law), and our Company is not authorized to amend these privileges.

Absence of a Corporate Governance Committee:
Activities for establishing a Corporate Governance Committee are presently in progress in accordance with Communiqué Serial: IV, No.: 56 on the Determination and the Enforcement of the Corporate Governance Principles amended by Communiqué Serial IV, No.: 57 and related regulation.

That the Articles of Association do not contain a clause enabling the invitation of shareholders and stakeholders to the Board of Directors:
Pursuant to the Turkish Commercial Code, each member of the Board of Directors is entitled to file a written request with the Chairman to invite the Board of Directors to convene. No other form or mode of invitation to convene is provided.

Shareholders

Investor Relations Unit

At Türk Telekom, a Capital Markets and Investor Relations Department ("the Department") has been formed which reports directly to the CEO with respect to structured maintenance of relationships with existing and potential shareholders, effectively responding to the queries by investors and analysts, and carrying out the activities targeted at increasing the Company's share value. The Department is supervised by the Capital Markets and Investor Relations Director Abdullah Orkun Kaya* who coordinates the execution of requirements arising from capital market regulations and corporate governance practices, and who holds required licenses.

* Corporate Governance & Compliance Manager Süleyman Kısaç who holds required licenses, took the responsibility arising from capital markets legislation and coordination of corporate governance practices due to the change of Abdullah Orkun Kaya's duty on March 28, 2012.

Primary activities handled by the Department are as follows:

- Performing the requirements of the Capital Market Regulations, and handling necessary internal and external disclosures and monitoring related processes for ensuring compliance with Corporate Governance Principles,
- Introducing and presenting the Türk Telekom Group to domestic and foreign individual and institutional investors,
- Keeping existing and potential investors regularly informed on the Company's activities, financial standing and strategies in a timely, accurate and complete manner,
- Responding to information requests by analysts researching the Company; ensuring proper and optimum promotion of the Company; and guaranteeing that reports for investors are prepared in an accurate and complete manner,

Contact information for employees working in the Capital Markets and Investor Relations Department is as follows:

Full Name	Title	Phone Number	E-mail address
Abdullah Orkun Kaya	Director		
Onur Öz	Advisor		
Dr. Rasim Özcan	Advisor		
Süleyman Kısaç	Manager		
Yunus Emre Çiçek	Manager		
Elif Küçükçobanoğlu	Team Leader		
Eren Öner	Team Leader	0212 309 96 30	ir@turktelekom.com.tr
Furkan Onat	Associate		
Kerem L. Akıllı	Associate		
Muhammet Fatih Erken	Assistant Associate		
Sezgi Eser	Assistant Associate		
Zehra Saygın	Assistant Associate		
Ayça Özcan	Team Assistant		

* Onur Öz working as consultant, is appointed Capital Markets and Investor Relations Director due to change of Abdullah Orkun Kaya's duty on March 28, 2012 and is included on the insider list with administrative responsibilities

Corporate Governance Principles Compliance Report

- Sharing the interim and year-end statements, investor presentations, press releases and annual and interim activity reports pertaining to financial and operational results with investors and the press; updating the corporate website regularly to ensure that shareholders have access to accurate and complete information,
- Keeping investors regularly informed on Türk Telekom and the Turkish Capital Markets by participating in conferences and investor meetings,
- Monitoring public disclosures made pursuant to the Company's disclosure policy and applicable legislation.

Please contact Süleyman Kısaç and Sezgi Eser for questions related to dividends, General Assembly and transfer of shares.

The Department received over 1,000 information requests by phone and email during 2011, all of which were answered. The Company participated in 18 international and six domestic investor conferences in the same period, during which contacts were made with over 330 representatives from over 300 investment companies. In addition, the Department held over 30 internal investor meetings and around 100 teleconferences; in total, it communicated with over 200 shareholders and/or analysts, ensuring that all queries have been fully responded to.

Shareholders' Exercise of their Right to Obtain Information

Queries, other than those relating to trade secrets and undisclosed information, received from shareholders and analysts by the Capital Markets and Investor Relations Department by letter, phone, email and other means are answered in the fastest and most effective way possible upon contacting the relevant person with the highest authority on the related matter. Over 1,000 information requests received by Türk Telekom in the relevant period were answered. Furthermore, current and historical information and developments relating to Türk Telekom that are of interest to shareholders are regularly communicated to the concerned parties by the corporate website in the both Turkish and English languages. They are also regularly communicated to those registered in our database via emails.

In addition to the foregoing, within the context of shareholders' exercise of their right to obtain information, data and information are provided under the following headings on the corporate investor relations website to ensure rapid and easy access to information about Türk Telekom. A large portion of this information is provided on the website in both the Turkish and English languages. The website covering the related documents accessible at www.ttinvestorrelations.com is periodically updated.

Further details are presented under the heading 'Corporate Investor Relations Website and its Content' below.

Company activities are periodically audited by independent auditors and statutory auditors appointed by the General Assembly upon proposal by the Board of Directors. Independent audit and financial consultancy services for 2011 activities were provided by Ernst and Young, which performs these services under the legal entity of Güney Bağımsız Denetim ve SMMM A.Ş. In the reporting period, shareholders did not request the appointment of a special auditor.

Rights of minority shareholders to appoint a special auditor is regulated under the Turkish Commercial Code.

Board Meetings

Main Resolutions made within 2011 are as follows:

- With resolution no.10 at the meeting held on February 8, 2011
  It has been resolved that due to the resignation of our Company's Board Member, Mr. Samir Asaad O. Matbouli, who was in duty in representation of our shareholder Ojer Telekomünikasyon A.Ş., Mr. Ghassan Hasbani, shall be appointed as Board Member for the remaining term of duty of the Board of Directors in representation of the same shareholder, in accordance with Article 315 of the Commercial Code and such appointment shall be submitted to the approval of the shareholders at the next General Assembly meeting; all authorities of the resigned Mr. Samir Asaad O. Matbouli with respect to the representation of the Company shall be cancelled and revoked.
- With resolution no.11 at the meeting held on February 8, 2011
  It has been resolved that our Company's consolidated financial statements for the period between 01.01.2010 -

31.12.2010 which was prepared as per the International Financial Reporting Standards under the Turkish Capital Markets Board Communiqué Serial: XI No: 29, and was approved by the Independent Auditors is approved.

- With resolution no.12 at the meeting held on February 8, 2011
  It has been resolved that our Company's 2010 Ordinary General Assembly shall convene on 25 April 2011, the Agenda along with the relevant information and document which will be submitted to the shareholders shall be announced in due of time.
- With resolution no.13 at the meeting held on February 8, 2011
  It is decided to recommend to distribute 100% of the remaining profit of 2010 as cash dividend after first and second legal reserves are set aside which is TL 2,243,960,909 to the General Assembly to be held on April 25, 2011. This amount corresponds to 0.6411316 Kurus (64.11316%) gross cash dividend per each share worth 1 Kurus nominally.

The details of the proposal to General Assembly are the following:

It is resolved for the decision of our Company's General Assembly to be held on April 25,2011:

1. Our Company's net profit for the fiscal year 2010 according to the independently audited consolidated financial statements prepared in accordance with the "CMB Communique About Financial Reporting in Capital Markets Serial: XI No.: 29" is TL 2,450,857,000 and according to the Turkish Commercial Code clauses and Tax Procedure Law is TL 2,957,704,161,
2. According to the CMB Communique Serial: IV No.: 27, the profit after tax amount of TL 2,450,857,000 is the base amount for dividend distribution,
3. Although it is obligatory to set aside first legal reserves until the reserve amount reaches 20% of the paid in capital in accordance with Article 466 of the Turkish Commercial Code, as the cap for first legal reserves has been reached in the previous years, it is decided not to set aside any first legal reserves for 2010,
4. According to the consolidated financial statements, TL 2,469,282,630 shall be the base for first dividend which is reached with adding the donations made in 2010 of TL 18,425,630 to TL 2,450,857,000 distributable profit of 2010.
5. It is decided to distribute 20% of TL 2,469,282,630 (first dividend base), TL 493,856,526 as cash first dividend, in accordance with the "CMB Communique Serial IV No.: 27". The second legal reserve of TL 206,896,091 shall be set aside and the remaining TL 1,750,104,383 shall be distributed as cash second dividend.
   a. The total cash dividend amount to be distributed of TL 2,243,960,909 shall be covered by current period net profit
   b. Accordingly, 0.6411316 Kurus (64.11316%) gross cash dividend per each share worth for 1 Kurus nominally shall be distributed to our shareholders and total gross cash dividend distribution amount shall be TL 2,243,960,909.
6. The distribution of the cash dividends to our shareholders shall begin on May 30, 2011, at Merkezi Kayıt Kuruluşu A.Ş. Süzer Plaza Askerocağı Caddesi No.: 15 Kat: 2 34367 Elmadağ-Şişli İstanbul.

- With resolution no.15 at the meeting held on February 8, 2011
  Upon the resignation of Mr. Samir Asaad O Matbouli from his duty as the Chairman of the Audit Committee, Mr. Ghassan Hasbani is appointed as the Chairman of the Audit Committee.
- With resolution no. 19 at the meeting held on March 28, 2011
  It has been resolved that our Company's Ordinary General Assembly Meeting for the year 2010 shall be held in Türk Telekomünikasyon A.Ş. HQ The Culture Center, Turgut Özal Bulvarı 06103 Aydınlıkevler, Ankara on 25.04.2011 at 2 pm in order to discuss the following agenda items.

1. Opening and Election of the Chairmanship Committee;
2. Authorizing the Chairmanship Committee to sign the minutes of the General Assembly Meeting, and the List of Attendees;
3. Reading the Board of Directors annual report for the year 2010;
4. Reading the Statutory Board of Auditors annual report for the year 2010;
5. Reading the summary reports of the Independent Audit Company for the year 2010;
6. Reading, discussing and approving the balance sheet and profit/loss accounts for the year 2010;
7. Temporary appointments made by the Board of Directors to the Board of Directors for the positions that became vacant because of resignations shall be submitted to the approval of the General Assembly as per Article 10 of the Articles of Association of our Company and Article 315 of the Turkish Commercial Code and under the same conditions in order to be valid as of the appointment date; and the membership of the elected members shall be approved as of the appointment date for the remaining office of the Board of Directors;
8. Temporary appointment made by the Statutory Board of Auditors to the Statutory Board of Auditors for the position became vacant because of resignations shall be submitted to the approval of the General Assembly as per Article 351 of the Turkish Commercial Code and under the same conditions; and the membership of the elected members shall be approved as of the appointment date for the remaining office of the Statutory Board of Auditors;

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9. Releasing the Board Directors for operations and transactions of our Company during 2010;
10. Releasing the Statutory Board Auditors for operations and transactions of our Company during 2010;
11. Discussing and resolving on the proposal of the Board of Directors about distribution of the profit generated in 2010;
12. Resolving on signing an agreement with Güney Bağımsız Denetim ve SMMM A.Ş., the independent audit company with which our Company is currently working, for the purpose of auditing our Company's operations and accounts for the year 2011, as per Article 14 of the Regulation on Independent External Audit in Capital Markets published by the Capital Markets Board and Article 17/A of the Articles of Association of our Company;
13. Defining the salaries of the Board Directors and Statutory Board Auditors;
14. Informing the Shareholders about the dividend distribution under the Corporate Governance Principles;
15. Reading the written explanations of the Independent Audit Company about the compliance of the financial statements and other reports with the standards, the accuracy and precision of the information, and that the independence of the audit company is not affected in any way in relation to the services it delivers to our Company or its subsidiaries, under the Corporate Governance Principles;
16. Informing the General Assembly about donations and aids made during 2010;
17. Informing the General Assembly about transactions made during 2010 with associated parties and their valuations as per Article 5 of the Communiqué Serial IV No. 41 of the Capital Markets Board and about the implementation of IFRIC 12;
18. Discussing and voting for authorizing the Board of Directors or person(s) designated by the Board of Directors for company acquisitions to be made by our Company or its subsidiaries during 2011 up to EUR 300 million which will be separately valid for each acquisition;
19. Discussing and voting for authorizing the Board of Directors to establish Special Purpose Vehicle(s) when required for above mentioned acquisitions;
20. Informing the General Assembly about the guarantees, pledges and mortgages given by our Company in favor of third parties, and about revenue or interest generated, under Decision 28/780 dated 09.09.2009 of the Capital Markets Board;
21. Resolving on giving permission to the Board Directors to carry out work within or out of the scope of the Company's operations on their own behalf or on behalf of others or to be a partner to companies who does such work, and to carry out other transactions, as per Article 334 and 335 of the Turkish Commercial Code;

- With resolution no. 20 at the meeting held on April 4, 2011
  It was resolved that the Türk Telekomünikasyon A.Ş. 2010 Annual Report shall be approved.
- With resolution dated April 19, 2011
  Approval of our Company's Activity Report and Consolidated Financial Statements for the period between 01.01.2011 - 31.03.2011 which was prepared as per the International Financial Reporting Standards under the Turkish Capital Markets Board Communiqué 29 Serial No.: XI has been resolved.
- With the resolution dated April 26, 2011
  The Ordinary General Assembly Meeting of our Company for the year 2010 which was planned to be held on April 25, 2011 could not convene since the Commissary of the Ministry of Industry and Trade could not attend.
  Therefore, it has been resolved that our Company's Ordinary General Assembly Meeting for the year 2010 shall be held in the Türk Telekomünikasyon A.Ş. HQ The Culture Center, Turgut Özal Bulvarı 06103 Aydınlıkevler, Ankara on 24 May 2011 at 11.00 a.m. in order to discuss the following agenda items.

TÜRK TELEKOMÜNİKASYON A.Ş.
ORDINARY GENERAL ASSEMBLY MEETING 2010
MAY 24, 2011

1. Opening and Election of the Chairmanship Committee;
2. Authorizing the Chairmanship Committee to sign the minutes of the General Assembly Meeting, and the List of Attendees;
3. Reading the Board of Directors annual report for the year 2010;
4. Reading the Statutory Board of Auditors annual report for the year 2010;
5. Reading the summary reports of the Independent Audit Company for the year 2010;

6. Reading, discussing and approving the balance sheet and profit/loss accounts for the year 2010;
7. Temporary appointments made by the Board of Directors to the Board of Directors for the positions that became vacant because of resignations shall be submitted to the approval of the General Assembly as per Article 10 of the Articles of Association of our Company and Article 315 of the Turkish Commercial Code and under the same conditions in order to be valid as of the appointment date; and the membership of the elected members shall be approved as of the appointment date for the remaining office of the Board of Directors;
8. Temporary appointment made by the Statutory Board of Auditors to the Statutory Board of Auditors for the position that became vacant because of resignations shall be submitted to the approval of the General Assembly as per Article 351 of the Turkish Commercial Code and under the same conditions; and the membership of the elected members shall be approved as of the appointment date for the remaining office of the Statutory Board of Auditors;
9. Releasing the Board Directors for operations and transactions of our Company during 2010;
10. Releasing the Statutory Board Auditors for operations and transactions of our Company during 2010;
11. Discussing and resolving on the proposal of the Board of Directors about distribution of the profit generated in 2010;
12. Resolving on signing an agreement with Güney Bağımsız Denetim ve SMMM A.Ş., the independent audit company with which our Company is currently working, for the purpose of auditing our Company's operations and accounts for the year 2011, as per Article 14 of the Regulation on Independent External Audit in Capital Markets published by the Capital Markets Board and Article 17/A of the Articles of Association of our Company;
13. Defining the salaries of the Board of Directors and the Statutory Board Auditors;
14. Informing the Shareholders about the dividend distribution under the Corporate Governance Principles;
15. Reading the written explanations of the Independent Audit Company about the compliance of the financial statements and other reports with the standards, the accuracy and precision of the information, and that the independence of the audit company is not affected in any way in relation to the services it delivers to our Company or its subsidiaries, under the Corporate Governance Principles;
16. Informing the General Assembly about donations and aids made during 2010;
17. Informing the General Assembly about transactions made during 2010 with associated parties and their valuations as per Article 5 of the Communiqué Serial: IV No.: 41 of the Capital Markets Board and about the implementation of IFRIC 12;
18. Discussing and voting for authorizing the Board of Directors or person(s) designated by the Board of Directors for company acquisitions to be made by our Company or its subsidiaries during 2011 up to EUR 300 million which will be separately valid for each acquisition;
19. Discussing and voting for authorizing the Board of Directors to establish Special Purpose Vehicle(s) when required for above mentioned acquisitions;
20. Informing the General Assembly about the guarantees, pledges and mortgages given by our Company in favor of third parties, and about revenue or interest generated, under Decision 28/780 dated 09.09.2009 of the Capital Markets Board;
21. Resolving on giving permission to the Board of Directors to carry out work within or out of the scope of the Company's operations on their own behalf or on behalf of others or to be a partner to companies who does such work, and to carry out other transactions, as per Article 334 and 335 of the Turkish Commercial Code.

- With resolution no. 33 at the meeting dated June 23, 2011
Upon the resignation of Dr. Boulos H.B. Doany from his duty as the member of the Board of Directors, Mr. Rami Aslan, shall be appointed as the member of the Board of Directors pursuant to Article 315 of the Turkish Commercial Code, and this appointment shall be submitted to the approval of the shareholders during the next General Assembly Meeting. Upon the resignation of Dr. Boulos H.B. Doany from his duty as the member of the Audit Committee, Rami Aslan shall be appointed as a member of the Audit Committee.
- With the resolution dated June 23, 2011
It has been resolved that Mr. Memet Atalay, who serves as an acting VP Operations, shall be appointed as VP Operations, and Mr. Haktan Yaşar Kılıç, who serves as an acting VP Customer Relations, shall be appointed as VP Customer Relations.
- With the resolution dated June 23, 2011
The default interest for PSTN subscribers is 1.5 over one thousand per day (4.5% per month; 54% per year taxes included) since 06.09.2003; and given the economic stability of the last eight years and today's economic conditions, inflation rates and interest rates (in 2010 Producer Price Index is 8.87% per year; and Consumer Price Index is 6.40% per year and the default interest rate applicable for the public receivables is 16% per year and 1.4% per month), our Company's default interest rate is very high, which harms our Company's reputation and customer satisfaction. Within the framework of the current situation and the explanations above, and on the basis of the considerations mentioned in the proposal dated 17.05.2011 and numbered 99 of the

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Revenue Management Directorate ; it has been resolved that the authorization shall be given to the General Management to make a decision on the following, on the condition that the interest calculation methods and rates which are caused by exceptional cases such as legal provisions or Interconnection Agreements or other special agreements shall be out of the scope of such decision:

1. Delay penalty rate that we generally apply to the PSTN subscribers be decreased to 3.19% per month from 4.5% per month;
2. The calculation method which is different from our competitors' method be changed; in other words, the external percentage model, which is used by our competitors, be used and VAT and SCT be calculated apart from the default interest, and the default interest rate excluding the taxes be 2.4 percent [2.4% default interest + (2.4 x 0.33 tax rate) = 3.19].

- With the resolution no.41 at the meeting dated July 18, 2011
  Approval of our Company's Activity Report and Consolidated Financial Statements for the period between 01.01.2011 - 30.06.2011 which was prepared as per the International Financial Reporting Standards and audited under the Turkish Capital Board Communiqué 29 Serial No. XI has been resolved.
- With resolution no.46 at the meeting dated October 12, 2011
  It has been resolved that our Company's Extraordinary General Assembly Meeting shall be held in Türk Telekomünikasyon A.Ş. HQ The Culture Center, Turgut Özal Bulvarı 06103 Aydınlıkevler, Ankara on 14 November 2011 at 3.00 p.m. in order to discuss the following agenda items.

TÜRK TELEKOMÜNİKASYON A.Ş.
EXTRA ORDINARY GENERAL ASSEMBLY MEETING
NOVEMBER 14, 2011

1. Opening and Election of the Chairmanship Committee;
2. Authorizing the Chairmanship Committee to sign the minutes of the Extraordinary General Assembly Meeting, and the List of Attendees;
3. Temporary appointments made by the Board of Directors to the Board of Directors for the positions that became vacant because of resignations shall be submitted to the approval of the General Assembly as per Article 10 of the Articles of Association of our Company and Article 315 of the Turkish Commercial Code and under the same conditions in order to be valid as of the appointment date; and the membership of the elected members shall be approved as of the appointment date for the remaining office of the Board of Directors;
4. Election of members to the Board of Directors, defining the salaries of the members of the Board of Directors;
5. Election of members to the Board of Statutory Auditors, defining the salaries of the Statutory Auditors;
6. Giving information to the General Assembly regarding the disclosure policy revised by the Board of Directors;
7. Comments and closing.

- With resolution no.47 at the meeting dated October 18, 2011
  Approval of our Company's Activity Report and Consolidated Financial Statements for the period between 01.01.2011 - 30.09.2011 which was prepared as per the International Financial Reporting Standards under the Turkish Capital Board Communiqué 29 Serial No. XI has been resolved.
- With resolution no.52 at the meeting dated November 25, 2011
  It has been resolved that Mohammed Hariri shall be appointed as Chairman of the Board of Directors and İbrahim Şahin shall be appointed as Vice Chairman of the Board of Directors.
- With resolution no.52/1 at the meeting dated November 25, 2011
  It has been resolved that Audit Committee shall be composed of the names below:

Chairman of Audit Committee Ghassan Hasbani,
Member of Audit Commitee Mehmet Habib Soluk,
Member of Audit Commitee Rami Aslan.

Information about General Assembly Meetings

Article 19 of the Articles of Association reads as follows: "The General Assembly is the decision-making body possessing all kinds of authorities, subject to the law, relating to the Company's business affairs." Article 21 of the Articles of Association lists the "Material Decisions to be adopted by the General Assembly" as follows:

a) Filing a written application for liquidation;
b) Making modifications to these Articles of Association;
c) Making alterations to the Company name;
d) Changing the Company's fiscal year or accounting policies, save for those imposed legally;
e) Making alterations in the share capital, or creating, allocating or issuing shares or other securities, or granting option rights or the right to participate in the share capital, or converting any document into shares or securities other than into bonus shares;
f) Decreasing the capital or altering the rights enjoyed by any share class, or redemption, purchase or other acquisition of Company shares and other securities by the Company;
g) The Company's merging with another company or acquiring a substantial portion of another company;
h) Discontinuing any major activity relating to the business;
i) Effecting a material change in the nature of the business;
j) The Company's making or declaring a profit share distribution or undertaking any other distribution in relation to the shares, save for those set out in Article 30 of the Articles of Association concerning Dividend Payment Timing; and
k) Unless approved pursuant to Article 12 of the Articles of Association, the following decisions concerning the Board of Directors Meetings:

- Entering into a contract or other undertaking that might incur expenses for the Group Company in excess of USD 50 million (for each transaction), although not foreseen in the budget;
- Acquisition of any asset or property with a total cost in excess of USD 50 million for each transaction except the normal course of commercial activities;
- Disposal or sale of any fixed asset with a total value in excess of USD 10 million for each transaction;
- Borrowing by a Group Company, which, when added to such Group Company's other indebtedness, exceeds USD 150 million, save for the loans to be secured from banks in the normal course of business;
- Entering into any agreement between a Group Company and any Shareholder (except for Class B Shareholder) or its Affiliated Companies which (x) is not on an arm's length basis, or (y) involves transfer of money, goods and service the value of which exceeds USD 30,000,000.- (except for any management contract as set out in Article 12(g) of the Articles of Association);
- Appointment of a proxy to be sent to the general assembly of any Group Company (except for the Company or AVEA) to act in the name of the Company.

2011 General Assembly Meetings

During 2011, the 2010 Ordinary General Assembly Meeting planned for April 25, 2011 was delayed as the representative from Ministry of Industry and Trade could not join the meeting. On May 24, 2011, the Ordinary General Assembly convened where 89.75% of the Company shares were represented in proxy and 0.000006% were represented in person. An Extraordinary General Assembly Meeting convened on November 14, 2011 where 89.54% of the Company shares were represented in proxy and 0.000058% were represented in person.

Particulars related to the 2010 Ordinary General Assembly Meeting dated May 24, 2011 were published in Turkish Trade Registry Gazette (TTRG) no. 7826 dated May 30, 2011 and Extraordinary General Assembly Meeting dated November 14, 2011 were published in Turkish Trade Registry Gazette (TTRG) no.7496 dated November 23,2011. In addition, the relevant Regulatory Disclosures of Material Event made by our Company was also published on the Public Disclosure Platform as of the Meeting dates.

The rules governing the Company's General Assembly meetings are covered in the Türk Telekomünikasyon A.Ş. Articles of Association which is publicly disclosed and posted on the corporate investor relations website. According to Article 31, General Assembly meetings are announced at least 21 days in advance of the meeting date, excluding the dates of announcement and meeting, in the Turkish Trade Registry Gazette (TTRG) and two national newspapers in accordance with Article 368 of the Turkish Commercial Code to inform the shareholders in advance of the General Assembly meetings. Information on General Assembly meetings, their agendas, invitation letters and sample proxy forms are also posted on the corporate investor relations website.

The Company's Class A shares held by Ojer Telekomünikasyon A.Ş. and Class C shares held by the Undersecretariat of Treasury are registered, while the remaining shares are bearer shares. The General Assembly Meeting has been attended by shareholders who wished to exercise their rights arising from shareholding, fulfilled the necessary procedures for participation in General Assembly meetings pursuant to applicable legislation, and had the necessary general assembly custody procedures performed before the Central Registry Agency in order to participate in the General Assembly Meeting convened after the public offering and submitted their Custody Statements to the Company.

Minutes of our General Assembly Meeting are made available for uninterrupted access by our shareholders at www.ttinvestorrelations.com

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Voting and Minority Rights

All shares of Türk Telekom, save for the one Class C golden share, can be sold. In order to protect national benefits in relation to the economy and national security, the following may not be carried out without the affirmative vote of the Class C golden share, irrespective of its being voted at the Board of Directors or the General Assembly. Otherwise, any transaction so performed will be deemed null and void.

a) Amendments to the Articles of Association;
b) Transfer of any registered shares which would result in a change in the control of management;
c) Registration of any transfer of registered shares in the share ledge

As required by the Company's Articles of Association, the holder of the Class C golden share will have one member on the Board of Directors of Türk Telekom to represent the golden share. The holder of the Class C golden share may not participate in capital increases. At the Extraordinary General Assembly Meeting on November 14, 2011, Mehmet Habib Soluk was elected as the Board member to represent the Class C golden share for a term of office of three years.

The Company's Articles of Association contain the provision that minority rights are to be exercised by shareholders representing at least 5% of the paid-in capital. However, minority shareholders are not represented on the Board of Directors.

There are no cross shareholding interests in the Company's share capital. Since the implementation of cumulative voting rights is left to the discretion of publicly held joint stock companies by the relevant CMB communiqué, this system was not implemented by the Company in 2011.

Dividend Distribution Policy and Timing

The Articles of Association grant no privileges regarding participation in the Company's profit. Each share is entitled to equal profit share; however, the holder of the Class C share does not receive any share from the profit. Türk Telekom dividends are paid within the legally prescribed periods of time pursuant to applicable legislation.

Our Company adopts a policy of distributing the whole amount of dividends that are distributable as per CMB regulations and our Company's dividend policy was submitted to the shareholders' information in 2010 Ordinary General Assembly Meeting convened on May 24, 2011. When determining the dividend distribution proposal, the Board of Directors also takes into account the short term financial liabilities of group companies, and conditions of those contracts that are signed with creditor.

As stated in the Company's Articles of Association, the dates and the manner of distribution of the annual profit to the shareholders are decided by the General Assembly upon the proposal by the Board of Directors, in accordance with the provisions of the Capital Market Law and applicable legislation.

Dividend Distribution Policy is included in our Company's annual report and disclosed to the public via the corporate investor relations website (www.ttinvestorrelations.com).

Transfer of Shares

The provisions contained in the Company's Articles of Association that are of a nature to restrict transfer of shares are as follows:

Holder of Class A shares may transfer, always subject to vetoing by the Class C golden share, all or part of its shares to a third party at any time after either the expiration of the Strategic Undertaking Period, or after the date of full payment of the amount payable by the holder of Class A shares for its shares in the Company, whichever occurs later.

Holder of Class A shares may create a pledge or encumbrance in favor of a financial institution over its shares which will not be subject to pledge of shares in time, as guarantee for money borrowed for the acquisition of such shares or otherwise. In the event that such pledge or encumbrance is cashed by the relevant financial institution, the same may be able to transfer the Class A shareholder's shares subject to pledge and encumbrance only upon prior written consent of the Treasury, which consent will not be unreasonably withheld.

Subject to the provisions of the following two paragraphs, holder of Class B shares may not transfer to a third party all or part of its shares during the course of the Strategic Undertaking Period without the prior consent of the holder of Class A shares, which consent will not be unreasonably withheld.

1. In the context of the public offering of the Company's shares, only the Treasury may have all or part of its shares quoted and sold on the stock exchange at any time without being subject to the restriction in the preceding paragraph.
2. Holder of Class B shares may additionally transfer, without being subject to the restriction set out in the first paragraph, its own shares that are equal to 5% or less of the Company's total shares at the time of the transfer in a single transaction or in a series of transactions at any time and at any price in line with the Law 406, to employees mentioned in the Law 406 and to "small savings holders".

Furthermore, pursuant to the supplemental Article 17 of the Telegram and Telephone Law no.: 406 and Article 6, paragraph 4 of the Company's Articles of Association, the one Class C golden share may not be sold.

Strategic Undertaking Period ended on November 14, 2008.

Public Disclosure and Transparency

Company Disclosure Policy

Türk Telekom's disclosure policy has been developed in line with the CMB's Communiqué on Principles Governing Disclosure of Material Events Serial: VIII, No.: 54 and CMB's Corporate Governance Principles. The policy has been approved and put into effect by the Board of Directors and was submitted to the shareholders' information at General Assembly Meeting convened on April 6, 2010. It has been amended by board resolution no. 36 dated June 23, 2011 and submitted for its shareholders' approval at the Extraordinary General Assembly Meeting dated November 14, 2011. The disclosure policy is posted on the corporate investor relations website (www.ttinvestorrelations.com) under the 'Corporate Governance' heading under the Investor Relations section. The Capital Markets and Investor Relations Department is responsible for the monitoring and development of the policies, and the names and duties of the relevant responsibility owners are listed under the heading Investor Relations Unit. These individuals cooperate closely with the Board of Directors in the fulfillment of these responsibilities.

Regulatory Disclosures of Material Events

Pursuant to the CMB Communiqué on Principles Governing Disclosure of Material Events, Türk Telekom made 29 material event disclosures in 2011 in relation to the matters affecting the Company and its operations. The material event disclosures made are also regularly communicated by e-mail to domestic and international investors by the Capital Markets and Investor Relations Department. The ISE did not require any additional explanations in relation to material event disclosures, nor were there any sanctions imposed by the CMB on account of failure to comply with material event disclosure requirements. There is no additional disclosure obligations since our Company does not have any capital market instruments listed on foreign stock exchanges.

Corporate Investor Relations Website and its Content:

The Corporate Investor Relations website accessible at www.ttinvestorrelations.com is actively used in achieving transparency and public disclosure in parallel with the Capital Market legislation, CMB and ISE rules and regulations, and CMB's Corporate Governance Principles. A large portion of the information contained on the website is provided both in Turkish and English. The main headings covered on the website are listed below:

Detailed information about Company profile
- Vision, mission and values
- Company organization chart and shareholding structure
- Information about the members of the Board of Directors and senior management of the Company
- Articles of Association
- Trade registry information
- Financial statements and activity reports
- Regulatory Disclosures
- Press releases
- Investor presentations
- Investor Relations news
- Stock performance information
- Contact information of analysts who covered the Company
- Meeting date, agenda of the General Assembly of Shareholders and documents related to the minutes of the General Assembly Meeting agenda
- Meeting minutes and list of attendees of the General Assembly of Shareholders
- Sample of proxy letter
- Corporate governance practices and compliance report
- Profit distribution policy, history and capital increases
- Disclosure policy
- Independent Auditor
- Insiders with Administrative Responsibilities
- Internal Audit and Risk Management
- Telecom glossary
- Demand circular related to the public offering and prospectus
- Türk Telekom call center and contact information
- Capital Markets & Investor Relations information
- Information about Social Responsibility Activities

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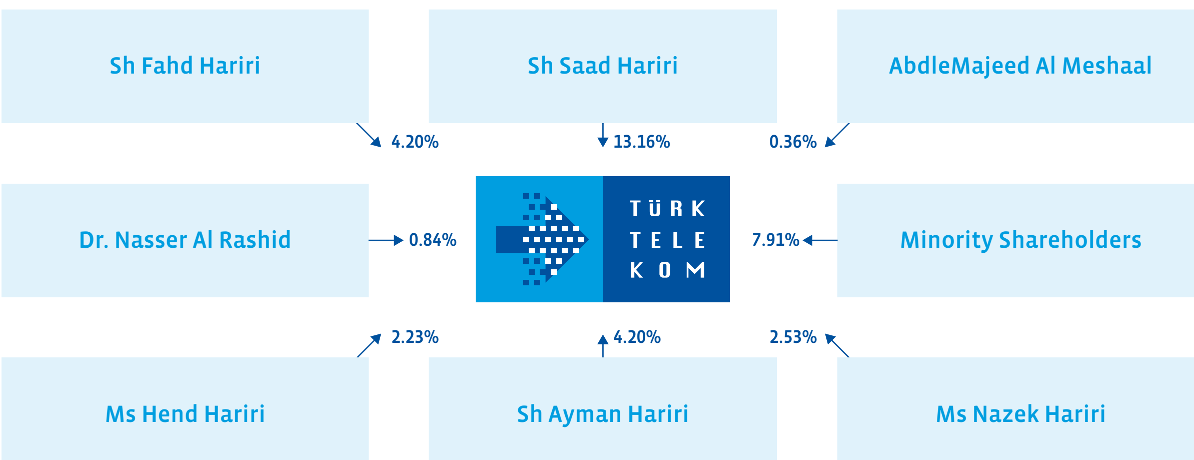
Disclosure of Ultimate Controlling Individuals

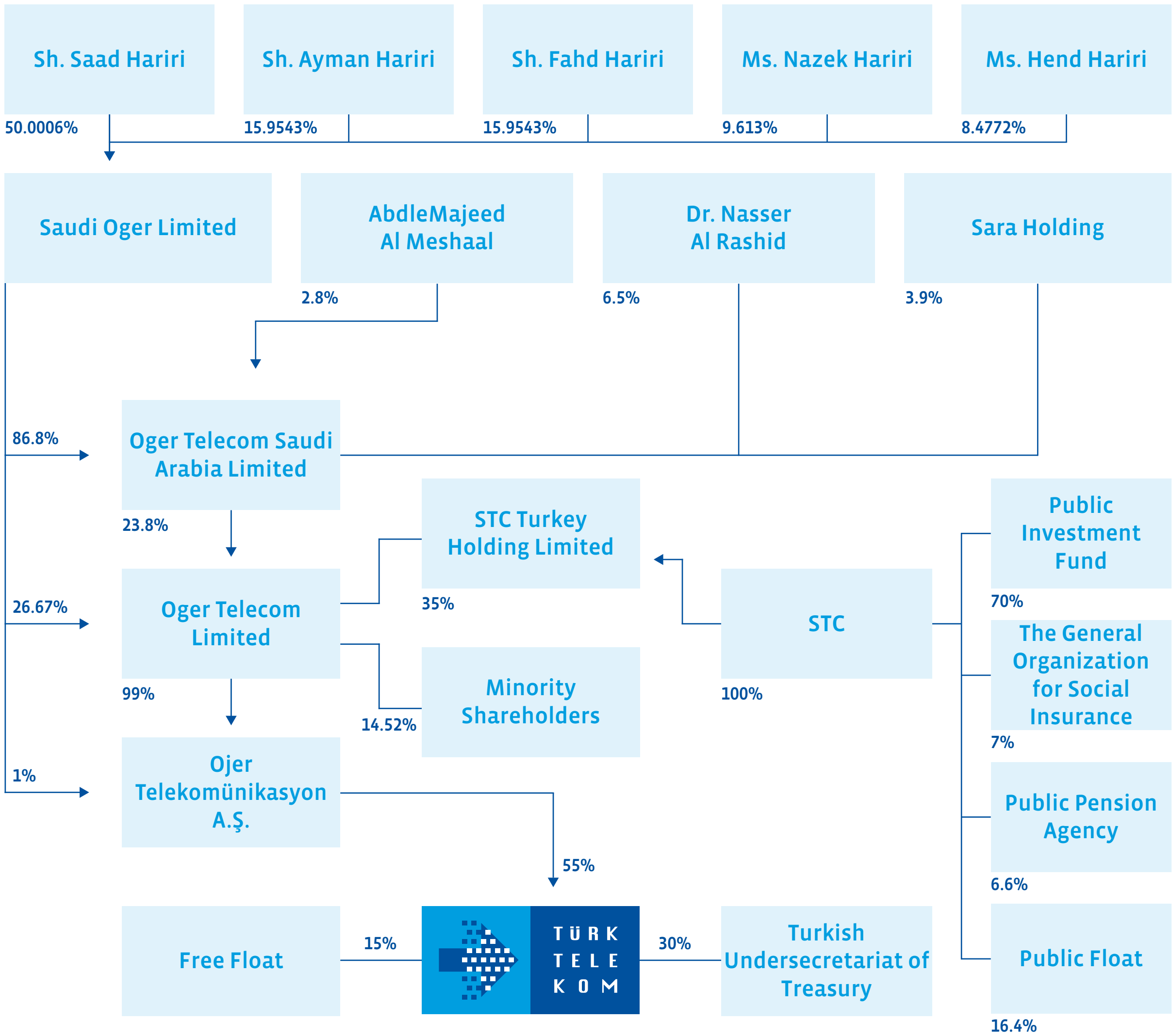
Not subject to the authorized capital system, the Company has share capital of TL 3,500,000,000 which is fully paid-in. The distribution of the paid-in capital among the shareholders is shown below:

Class	Shareholder	Paid-in Capital Amount (TL)	Share (%)
A	Ojer Telekomünikasyon A.Ş.	1,925,000,000.00	55
B	TR Undersecretariat of Treasury	971,249,999.99	
C	TR Undersecretariat of Treasury	0.01	30
D	TR Undersecretariat of Treasury	78,750,000.00	
D	Free Float	525,000,000.00	15
Total		3,500,000,000.00	100

The real and legal persons directly or indirectly holding a stake in the Company's share capital are listed below:



Shareholders of Türk Telekomünikasyon A.Ş.



Corporate Governance Principles Compliance Report

Silence and Blackout Periods for those who may have Access to Insider Information

In order to achieve compliance with the Capital Market Law and applicable legislation, a policy concerning "insider trading" has also been developed under the Türk Telekom Disclosure Policy. Within the scope of the policy, the Capital Markets and Investor Relations Department maintains a list of those who have access to insider information and monitors the individuals on this list. Declaration forms of all employees on the list of those who have access to insider information are obtained in order to protect insider information and prevent inappropriate information use.

Before the official disclosure of the periodic results, Türk Telekom implements a practice called "Silence Period" when the people who have access to insider information abstain from sharing such information with the public. This Silence Period starts at the end of the related period and ends when these results are disclosed. Investor meetings may be held during the Silent Period but the information that will be shared with investors and analysts is limited to the results before the related interim period and long term corporate strategies.

In addition, Türk Telekom implements another practice that is called "Blackout Period" when the people who have access to insider information are prohibited to trade the shares of Türk Telekom. This Blackout Period starts with the Silence Period and ends one business day after the Silence Period.

List of Insiders with Administrative Responsibilities

People who have administrative responsibility consist of the following persons who are authorized to make decisions affecting the future development and commercial targets of the company.

- Mohammed Hariri, Chairman of the Board of Directors, Chairman of the Executive Committee
- İbrahim Şahin, Vice Chairman of the Board of Directors, Vice Chairman of the Executive Committee
- Hakam Kanafani, Member of the Board of Directors, Member of the Executive Committee, Türk Telekom Group CEO
- Rami Aslan, Member of the Board of Directors, Member of the Audit Committee
- Saad Bin Dhafer Al-Qahtani, Member of the Board of Directors, Member of the Executive Committee
- Abdullah Tivnikli, Member of the Board of Directors, Member of the Executive Committee
- Ghassan Hasbani, Member of the Board of Directors, Chairman of the Audit Committee
- Mehmet Habib Soluk, Member of the Board of Directors, Member of the Audit Committee
- Suat Hayri Aka, Member of the Board of Directors
- Süleyman Karaman, Member of the Board of Directors
- Efkan Ala, Member of the Board of Statutory Auditors
- Prof. Dr. Aydın Gülan, Member of the Board of Statutory Auditors
- Lütfi Aydın, Member of the Board of Statutory Auditors
- Kamil Gökhan Bozkurt, CEO
- Mustafa Uysal, Türk Telekom Group CFO, Türk Telekom Acting CFO
- Memet Atalay, VP Operations
- Timur Ceylan, VP Technology
- Dr. Ramazan Demir, VP Strategy and Business Development
- Erem Demircan, VP Marketing and Communication
- Celalettin Dinçer, VP Sales
- Haktan Kılıç, VP Customer Relations
- Dr. Mehmet Kömürcü, VP Legal
- Şükrü Kutlu, VP Human Resources Support and Regulations
- Mehmet Candan Toros, VP International and Wholesale
- Dr. Nazif Burca, Head of Internal Audit
- Mehmet Zafer Pınarcık, Türk Telekom Group Financial Controller
- Bülent Taş, Tax Management Director
- Nurhan Kılıç, Treasury Director
- Yavuz Türkmen, Financial Controller
- Onur Öz*, Capital Markets and Investor Relations Director
- Süleyman Eken, Director of Budget Planning and Analysis
- Erkan Akdemir, AVEA Chief Executive Officer
- Tahsin Yılmaz, TTNET Chief Executive Office.

* Onur Öz, working as consultant, is appointed Capital Markets and Investor Relations Director due to the change of Abdullah Orkun Kaya's duty on March 28, 2012 and is included on the insider list with administrative responsibilities.

People with administrative responsibility included on the list within 2011 but delisted afterwards:

- Samir Asaad O Matbouli, Member of Board of Directors, Chairman of Audit Committee
- Doç. Dr. Tuna Tuğcu, Member of the Board of Statutory Auditors
- Dr. Paul (Boulos H.B.) Doany, Member of Board of Directors, Member of Audit Committee
- İsmet Yılmaz, Member of the Board of Directors
- Dr. Ali Arıduru, Member of the Board of Directors
- Abdullah Orkun Kaya*, Capital Markets and Investor Relations Director.

Stakeholders

Keeping Stakeholders Informed

Türk Telekom shareholders and investors are kept informed in line with the public disclosure principles. The Company's Customer Relations Vice Presidency and Call Center efficiently handle Türk Telekom customers' information requests about services and products, their comments or complaints, and provide solutions for customer problems. The Internal Communication Department keeps the employees informed.

Stakeholder Participation in Management

Although there are no specific rules governing stakeholder participation in management, our subsidiaries, employees and other stakeholders are kept informed via regular meetings such as dealers meetings and communication meetings.

Human Resources

Human Resources Requirements and Planning

Türk Telekom aims to be the most preferred company in the Turkish telecommunications sector, to attract and recruit the skilled human resources aligned with the corporate culture and values, and in line with its future strategies and targets.

Recruitment and career planning are made in line with the principle of providing equal opportunities to employees within the context of human resources policy. Recruitment principles are defined according to objective criteria as part of body of rules for recruitment. It is aimed to generate long term employment within the possibilities of technological developments, fiscal and economic conditions, sectoral variations, convergence of goods and services, organizational and the Company changes in order to provide fast, high quality and economical services. Continuous improvement of the corporate depends on the capability and flexibility of employees to adapt to changing conditions of the sector quickly and efficiently. In this regard, recruitment is made locally and internationally. Recruitment processes are defined pursuant to relevant legislations.

Working Culture

Türk Telekom makes it a goal to establish an ongoing relationship with its employees and stakeholders built on respect, trust and ethical values, adhering to the corporate culture built and maintained on the basis of respect and sharing, as well as its principles which include 'Customer Focused, Trustworthy, Innovative, Responsible and Dedicated'. There was no complaint regarding discrimination from our employees in 2011.

Maintaining high quality on goods and services and achieving high levels of customer satisfaction are an integral part of our corporate work culture. Business objectives which are defined specific, measurable, attainable, relevant and time bound, are compared with actual performance results. Alternative channels are put into use in order to follow, evaluate and resolve customer complaints.

Employees may have regular access to business resources via Intranet. They may find resources regarding career development and social life as well as business resources.

Health and Safety

Türk Telekom is obligated to develop measures pursuant to the Labor Law and related articles related to Occupational Safety and Health issues and to fulfill the requirements in all workplaces. Türk Telekom has raised accident prevention and environmental awareness among employees by developing Occupational Health and Safety & Environmental Management System model.

Türk Telekom has unionized labor. Rights of employees, employers and workers are protected in accordance with the Collective Labor Agreements signed.

Performance Management and Continuous Improvement

"In-house performance evaluation" methods have been established in order to manage and evaluate performance of corporate and employees. Responsibilities, competencies, performance of business development and contribution to Company goals of employees are determined by objective criteria within the framework of quality, quantity, time and cost of the work. In this process, after the performance feedback, employee training requirements are determined, promotion and other reward mechanism is executed within the context of objective criteria. Performance evaluation and knowledge

Corporate Governance Principles Compliance Report

of methods and mechanisms are submitted to employees' attention before the assessment of staff. The generated performance management module; below management processes are discussed.

- Planning and approval of individual targets in line with the objectives of the Company,
- Monitoring employee performance continuously in line with the goals, action plans and criteria and giving feedback,
- Evaluating of performance,
- Supporting motivation and continuous improvement, clarifying expectations regarding development plans.

Türk Telekom targets providing opportunities for the personal and professional development of its employees to create a performance management concept focused on constant development where employees will be able to realize their full potential. Türk Telekom also aims to support corporate goals by enhancing the loyalty of its "human resources", its most valuable asset, to the Company. Within this process, Türk Telekom Academy supports the development of employees.

Remuneration

The Company aims to attract new well-qualified employees, prioritize to employee retention, keep motivation high in order to make services sustainable and reward outstanding performers. Remuneration is determined by the relevant legislation, the job description, required responsibilities and qualifications and the market value.

Relations with Customers and Suppliers

Within the scope of the "Customer Retention Management" project, implemented to enhance customer satisfaction, teams at the call center contact our customers in an effort to understand the problems they face and resolve their issues, if any.

Customers have the opportunity to benefit from interest rate cut on debt collection for past years, debt installments and unapplied default interest owing to one of the campaigns carried out, "Smooth Over".

Studies were conducted to provide periodic price advantages to Türk Telekom customers through agreements with institutions and companies.

As a step aimed at enhancing the satisfaction from services of Türk Telekom, our customers are guided to transfer to the tariff that best suits their telephone usage behaviors, and they are provided with recommendations on this subject.

Türk Telekom Support Units were created through many channels, including social networking sites in the context of Absolute Customer Channel. In addition, information is offered on campaigns that provide optimum benefits to our customers, increasing the benefit our customers derive from Türk Telekom.

Social Responsibility

Türk Telekom, while adding value to its customers' lives with its products and services, gathered all social responsibility projects it implemented across Turkey under a single roof named "Türkiye'ye Değer" in 2011.

Turkey's leading communication and convergence technologies company contributes to the country by investing not only in technology and infrastructure but also in human resources and creating values among its preferential goals.

Not only Türk Telekom creates value by undertaking various social responsibility activities, that focus on the nation's economic and social needs including, in particular, education, culture and arts, technology, environment and sports.

Information on the "Türkiye'ye Değer" projects are shared with the public also via the corporate website. Detailed information is available also at www.turkiyeyedeger.com.tr.

Board of Directors

Structure of Board of Directors

The structure of our Company's Board of Directors is as follows:

- Mohammed Hariri, Chairman of the Board of Directors,
- İbrahim Şahin, Vice Chairman of the Board of Directors,
- Hakam Kanafani, Member (Türk Telekom Group CEO),
- Rami Aslan, Member of the Board of Directors,
- Saad Bin Dhafer Al-Qahtani, Member of the Board of Directors,
- Abdullah Tivnikli, Member of the Board of Directors,
- Ghassan Hasbani, Member of the Board of Directors,
- Mehmet Habib Soluk, Member of the Board of Directors,
- Süleyman Karaman, Member of the Board of Directors,
- Suat Hayri Aka, Member of the Board of Directors

No one other than our board member, Hakam Kanafani can assume an executive role in the Company; none of board members is independent.

The Company's Board of Directors has accepted the resignation of Board Member Samir Asaad O. Matbuoli and resolved that Ghassan Hasbani be assigned for Board memberships with the board resolution dated February 8, 2011 in accordance with Article 315 of the Turkish Commercial Code. This assignment was submitted to the approval of the shareholders at the ordinary General Assembly Meeting which was held on May 24,2011. The Company's Board of Directors has accepted the resignation of Board Member Dr. Paul (Boulos H.B) Doany, and resolved that Rami M. Aslan be assigned for Board memberships with the board resolution dated June 23, 2011. This assignment was submitted to the approval of the shareholders at the ordinary General Assembly Meeting which was held on May 24, 2011.

The Company's Board of Directors has accepted resignations of Board Members: Mehmet Habip Soluk representing Class A shares (Golden Share) by March 8, 2011, İsmet Yılmaz and Ali Arıduru representing Undersecretariat of Treasury by March 10, 2011.

The Board of Directors resolved on July 22, 2011 that Mehmet Habib Soluk is assigned to the vacant Board of Directors membership on behalf of Turkish Treasury which owns the golden share (Class C share) in accordance with Article 315 of the Turkish Commercial Code. His membership was submitted to the approval of the shareholders at the Extraordinary General Assembly Meeting dated 14.11.2011. Pursuant to article 10, Süleyman Karaman, Suat Hayri Aka and İbrahim Şahin were appointed to the Board of Directors for three years representing the Treasury and Mehmet Habib Soluk representing Group C. Pursuant to article 10 Mohammed Hariri, Abdullah Tivnikli, Al Hakam Marwan Moh'd Kanafani, Saad Bin Dhafer Al-Qahtani, Ghassan Hasbani and Rami Aslan were appointed to the Board of Directors for three years representing Group A Shareholder.

Pursuant to Article 8 of Türk Telekom's Articles of Association, holder of Class A shares is entitled to make six nominations in the election of the Board of Directors members, and the Under secretariat of Treasury, the holder of Class B shares, to make three nominations so long as it holds 30% or more of the Company's share capital. The Class C share is represented by one member on the Board of Directors. In line with these provisions of the Articles of Association, currently there are no independent members on the Board of Directors of Türk Telekom. Since Article 8 of the Articles of Association stipulates that holder of Class A shares and the Treasury will be entitled to nominate individuals to be elected as an independent Board member upon reaching a mutual agreement, provided that the Undersecretariat of Treasury holds less than 30%, but 15% or more of the Company's share capital, it will be possible to have an independent member on the Company's Board of Directors. Election of independent board members and defining independent board members according to the qualification determined by corporate governance principles shall be made by General Assembly Meeting in 2012 within the context of Communiqué Serial: IV, No.: 56 on the Determination and the Enforcement of the Corporate Governance Principles amended by Communiqué Serial: IV, No.: 57 and related regulation. Preparations for amendments on Articles of Association are in progress.

Qualifications of Board Members

The required qualifications of Board Members are determined in Article 9 of the Articles of Association and this provision is implemented for the qualifications of Board Members.

Mission, Vision and Strategic Goals of the Company

The Company's mission, vision and values and strategy management are publicly disclosed under the 'About Us' section on the corporate website. Türk Telekom's performance with respect to achievement of strategic goals is constantly monitored by the Board of Directors.

Risk Management Mechanism

The risk and opportunity management vision of Türk Telekom Group has been defined as; "understanding, measuring and creating awareness about the risk universe of the Group; maximizing the value of Group assets by managing risks and associated opportunities with a holistic approach; making risk and opportunity management as a vital component of the corporate culture and strategic decision making process

Corporate Governance Principles Compliance Report

with the aim of contributing to sustainable growth and creating competitive advantage".

Within this vision, the risk universe is currently identified and managed by the related business units in Türk Telekom A.Ş. In this framework all risk areas are closely monitored and managed. Additionally, group companies of Avea and TTNET have established their Corporate Risk Management organizations.

As it is clearly expressed in the vision statement, Türk Telekom Group perceives risk management not only as minimizing the potential losses but also as maximizing the expected benefits of the opportunities. Within this context, senior management and the Board of Directors of Türk Telekom A.Ş. embrace the value added nature of the Enterprise Risk Management (ERM) and fully support the initiative to ensure that the system works efficiently.

In 2011, Türk Telekom A.Ş. initiated a study to create a governance model for Enterprise Risk Management and developed a group wide governance model for integrated ERM implementation. In this model, risks are managed by the business units. However, all the standards, policies and procedures of the ERM are set by the central risk management unit.

Following the development of the governance model, the Enterprise Risk Management Directorate, which will coordinate all risk management activities at the group level, was established.

The ERM directorate commenced its activities to:

- Work on establishing a strong risk management culture in the Türk Telekom group;
- Develop methodologies for identification and monitoring of all risks;
- Make suggestions to the related committees about; constructing ERM policy and procedures, defining the risk appetite, setting the key risk indicators and limits;
- Continuously monitor and report level of risks and planned risk mitigation actions;
- Support decision making by conducting various analyses;
- Ensure that business continuity plans are in place and up to date;
- Analyze risks associated with the new services/products and investment decisions and review related processes with a risk based approach.

We strongly believe that, the enhanced structure of ERM practice will improve Türk Telekom Group's value by efficiently managing the risks such as; operational, financial, regulatory, strategic, and legal.

Authorities and Responsibilities of Board Members and Executives

The duties and authorities of the members of the Board of Directors are covered in detail in Article 11 of the Company's Articles of Association.

Operating Principles of the Board of Directors

Within the framework of the provisions set out in the Articles of Association, the Board of Directors meets as and when necessitated by the Company's affairs, but holds at least four meetings annually. The activities and formalities of the Board of Directors are handled by the General Secretariat of the Board. The meeting date, agenda and relevant documents are sent to Board members for their review 10 business days in advance of the meeting. Rights of Board Member representing Group C are explained in the section of Voting and Minority Rights.

Prohibition on Doing Business and Competing with the Company

The Company has adopted practices that are aligned with Articles 334 and 335 of the Turkish Commercial Code and Communiqué Serial: IV, No.: 56 on the Determination and the Enforcement of the Corporate Governance Principles amended by Communiqué Serial: IV, No.: 57 and the related regulation.

Code of Ethics

The code of ethics that is the key for the Company's success, as well as for the personal success of our employees, has been approved by the Board of Directors and submitted to the shareholders' information at the 2009 Ordinary General Assembly Meeting convened on April 6, 2010. The Code of Ethics is a body of rules that must be abided by the Company executives in particular, and all employees in general, while also leading other employees to act in compliance with these principles. The Code of Ethics is of a complementary nature to Türk Telekom Disciplinary Principles.

It is the responsibility of our executives to create an environment that is in conformity with the Code of Ethics across the Company. To this end, our executives:

- First and foremost recognize the importance of Code of Ethics and abide by them;
- Set role models for other employees with their actions and thoughts;
- Adopt the principle of the establishment and maintenance of the Code of Ethics firstly in the units they are in charge of;
- Work towards the establishment of the corporate culture and ensuring that employees espouse the norms, values and principles by which they are obliged to abide. They strive to make sure that their activities are aligned not only with the wording but also with the spirit of the Code of Ethics, and try to develop a culture deeply espoused by the organization in accordance with the law and corporate policies;
- Provide an environment where employees feel comfortable coming to them with ethical issues as well as problems regarding the operation of the Company, and having an open communication with them;
- Display honesty and consistency in their actions and decisions including ethical handling of existing or future conflicts of interest at all times, which may arise between their own personal relations, or financial and commercial interests, and their responsibilities towards the Company;
- Ensure full, fair, accurate, timely and intelligible disclosure of all reports and documents that will be submitted to the ISE and other authorized entities and boards or otherwise publicly disclosed by the Company;
- Fully abide all laws, rules and regulations applicable to the Company and the relationship between the Company and its shareholders;
- Notify any known or suspected violation of the Code of Ethics, if any, to the chairman of the Audit Committee promptly.

The Code of Ethics by which the Company employees are obliged to abide is spelled out below:

Use of Resources

Utmost attention will be paid in the use of all Company tangible and intangible resources and its brand name. These resources may not be used for personal use, interests, expenses, nor may they be given as gifts, donated or given away as political incentives.

Entering into personal financial relationships with customers and with individuals and organizations doing business on behalf of the Company, attempting to derive personal benefits and observing personal benefits in the contracts made constitute indirect use of the Company's tangible and intangible assets.

Use of Fixtures and Stationery

Stationery, printed documents and all kinds of fixtures owned by the Company are to be used strictly for Company affairs and must not be taken out of the Company. Utmost care will be paid to saving principles in their internal use.

An employee leaving the Company is obligated to return any and all negotiable, non-negotiable instruments, files, written information, documents, records and fixtures given to him or her for the performance of his or her job.

Company employees are obliged to implement all necessary security procedures and to protect computer hardware and electronic equipment against theft and unauthorized use.

Communication Tools

Electronic mailing will be used strictly as a means of communication. Attention will be paid not to use electronic mail for non-business purposes. Also efforts will be spent not to use telephones, fax equipment, the Internet and similar tools for personal reasons. Attention will be paid to keep private phone calls short.

Protection of Confidentiality

Attention will be paid to the confidentiality of data and documents pertaining to the Company, employees and customers, and every effort will be spent not to use such data for any personal purpose whatsoever and not to disclose them to any third party.

Company Vehicles

Employees who are allocated motor vehicles by the Company will pay the necessary attention and care in their use and will not let third parties other than themselves drive the allocated vehicles save for exceptional circumstances. Traffic fines resulting from violation of traffic rules will be borne by the individuals to whom vehicles are allocated.

Shuttle Buses

Employees making use of the shuttle bus service will not keep the bus waiting for personal reasons and will not disturb the other people on the shuttle bus.

Corporate Governance Principles Compliance Report

Shared Work Spaces
Posters, fliers or ready-made notes other than those allowed by the management may not be posted in the Company's shared work spaces. Goods and services apart from those allowed may not be traded in the buildings. Any documents, papers, etc., which may be of a confidential nature, must not be left on the desks or out in the open outside business hours.

Giving or Accepting Gifts, Invitations or Donations on behalf of the Company
Gifts may be given to customers, business partners or suppliers' representatives on behalf of the Company, in accordance with the principles set by the Company management. However, attention will be paid not to use the presents for personal relationships such as relatives, friends and acquaintances. Aids or donations can be made to an organization on behalf of the Company strictly subject to the approval of the CEO.

Accepting Gifts: Gifts may not be asked for from customers, subcontractors, and/or suppliers, nor such a request may be implied. No gifts, money, checks, free vacations, special discounts, etc. may be accepted which might put the Company and the recipient of the present under any obligation. Gifts worth in excess of TL 50, which are deemed not to have an influence on the decisions to be made, may be accepted upon notification of the immediate manager. The total worth of gifts that may be accepted as such may in no way exceed TL 500.

Accepting Invitations: Business meetings may be attended, provided that such meetings will not influence the attendee's decisions and will not contradict with the Company's policies and interests, and provided further that written or verbal consent of the immediate manager shall have been obtained.

Accepting Aids and Donations: Donations and aids may not be accepted from any person and/or entity having a business relationship with the Company. In any case, such donation and aid offers will be informed to the immediate manager.

Relations with Individuals, Enterprises and Establishments with which there is a Business Relationship
All employees must pay attention to be accurate, consistent, trustworthy, helpful and punctual in their relations with those having a business relationship with our Company, as well as with our customers.

Product/service agreements with those having a business relationship with the Company, including but not limited to contractors, and subcontractors will be handled within the scope of applicable legislation, and corporate policies and principles. The considerations presented below will be taken into account when entering into these agreements.

Those having a business relationship with the Company will, as a matter of principle, be identified according to Company regulations, and acts and transactions will be carried out according to predefined principles.

Feedback will be sought from the Legal Department and other relevant units with respect to the agreements and protocols to be made with those having a business relationship with the Company.

Objective criteria such as benefit vs. cost and so on will be taken as the basis in the selection of companies, without yielding to any influence that may be exercised by anyone.

Time Management
Employees will make optimum use of time and will not spare time for personal business (except for emergencies) during business hours. Personal visitors will not be accepted during business hours. An employee's meeting with external visitors will not exceed 10-15 minutes, save for extraordinary and exceptional cases.

Conflict of Interest
A conflict of interest is an inverse relationship between the Company's interests and personal interests, and the interests of customers or suppliers. Personal interests may not be held above Company interests. The position in the Company, information on Company goods and services may not be used to derive personal benefits. In the case of a conflict of interest, guidance will be sought from the immediate manager as soon as possible.

Our employees, Executives and Members of the Boards of Directors and Auditors;

Shall not yield to any pressure that may give rise to events which are detrimental to the shareholders, may not personally profit from customers/suppliers, and may not be instrumental in any transfer of profits by way of mediating between customers/suppliers.

Must act equally and fairly to all parties involved in the case of a conflict of interest between customers/suppliers. They also must fulfill their duties impartially, and spend every effort to this end.

In order to avoid conflicts of interest, our employees do not:

- enter into a debtor-creditor relationship with customers/suppliers, not act as their surety and not accept their surety ship.
- attend invitations, domestic/international trips, vacations with customers/suppliers, the expenses of which are fully or partially covered, without the knowledge and approval of the immediate manager.
- accept customers'/suppliers' uncustomary gifts of a nature and value that might give rise to an obligation on their part, and not use his or her authority to derive advantages from the customer's/supplier's field of activity which go beyond the purpose or regular practices.
- enter into business relationship with spouses, relatives and friends (a business relationship may be established if an interest in favor of the Company is in question, subject to approval by the immediate manager).
- influence promotion or rewarding decisions concerning spouses or close relatives working for the Company or its subsidiaries.

Mobbing

Executives and employees must not practice mobbing against each other. They must not cause any discomfort to one another in this sense.

Discrimination

Executives and employees must act fairly and equally toward everyone without any prejudices. They must not allow discrimination in whatsoever manner. No individual may be exposed to discriminatory treatment for reasons such as age, language, race, nationality, health, gender, marital status, religion and sect, political affiliation or philosophical belief. The Company may impose sanctions upon those violating these rules, up to and including termination of the employment contract. No complaints about this matter may be obstructed; in addition, employees may leave out all superiors and submit their complaint directly to the Human Resources Department or the Legal Department.

Protection of Health, Safety and the Environment

Executives and employees must practice necessary caution and attention to carry on the Company's activities in the healthiest and safest manner, with the environmental impact of minimized.

Numbers, Structures and Independence of Committees within the Board of Directors

An Audit Committee was set up at the Board of Directors meeting held on April 9, 2009. Basile Yared was elected as the chairman of this committee, while Mehmet Habib Soluk and Samir Asaad O. Matbuoli were elected as its members. Dr. Paul (Boulos H.B.) Doany was elected as board member to replace Basile Yared and Samir Asaad O. Matbuoli was elected as the Chairman with resolution dated 20.10.2010; in 2011 Ghassan Hasbani was elected as the Chairman to replace Samir Asaad O Matbuoli; Rami Aslan was elected as member to replace Paul (Boulos H.B) Doany. Mehmet Habip Soluk also resigned from his duties as a board member on March 8, 2011 and was re-elected as audit committee member as of November 25, 2011 after being board member in November 14, 2011. As per Article 10 of the Audit Committee Regulation which is updated with the board resolution dated June 23, 2011, the Audit Committee meets at least four times a year, and is also entitled to hold additional meetings. The meetings are organized each quarter following the disclosure of financial statements.

A Corporate Governance Committee has not been formed at the Company, but efforts for creating such committee are underway. Activities aimed at achieving compliance with the corporate governance principles which are regulated under Communiqué Serial: IV, No.: 56 on the Determination and the Enforcement of the Corporate Governance Principles amended by Communiqué Serial: IV, No.: 57 and related regulation are being carried out by the Capital Markets and Investor Relations Department.

Remuneration of the Board of Directors

Remuneration of the members of the Board of Directors is determined by the General Assembly in accordance with Article 369 of the Turkish Commercial Code and Article 8 of the Company's Articles of Association. Accordingly, the monthly salary determined at the General Meeting for Board members is TL 5,500. There is no performance measurement or performance-based rewarding system in place for the Board members. The Company has never lent money or extended loans to any Board member or executive, no credit has been given under the name personal loan through third persons, nor have any guarantees been provided such as suretyship in their favor.

Financial Information

Statement of Responsibility

FINANCIAL TABLES APPROVED BY THE BOARD OF DIRECTORS
RESOLUTION DATED: 14/02/2012
RESOLUTION NO: 2

ANNUAL REPORT APPROVED BY THE BOARD OF DIRECTORS
RESOLUTION DATED: 13/04/2012
RESOLUTION NO: 15

OUR STATEMENT AS PER ARTICLE 9 OF SECTION 3 OF CAPITAL MARKETS BOARD COMMUNIQUÉ SERIAL: XI, NO: 29

We hereby state that:

1. We have reviewed the Consolidated Financial Tables of our Company belonging to accounting period ending on December 31, 2011; and the Board of Directors Annual Report for 2011, approved by the Board of Directors Decision No. 15 of 13/04/2012,

2. According to information to which we have access as a part of our duties and responsibilities within the Company, the Consolidated Financial Tables and the Annual Report do not contain in important matters any inaccurate disclosures, or any shortcomings which may prove to be misleading because of the date of disclosure,

3. According to information to which we have access as a part of our duties and responsibilities within the Company, the consolidated financial tables, which have been prepared in accordance with applicable financial reporting standards, faithfully reflect the assets, liabilities, financial standing and profits and losses of the Company, and that the Annual Report faithfully reflects the development and performance of the business and the consolidated financial situation of the Company along with the risks and uncertainties that the Company is facing.

Kind regards,

Mehmet Zafer Pınarcık
Group Financial Controller

Mustafa Uysal
Acting CFO

Kamil Gökhan Bozkurt
CEO - General Manager

Türk Telekomünikasyon Anonim Şirketi

Consolidated Financial Statements and Independent Auditor's Report As of and For the Year Ended 31 December 2011

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Contents **Page**

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 2011 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

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

Independent auditors' responsibility

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

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

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

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 2011 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 2011, the accounting principles described in Note 2.1 (defined as CMB Accounting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting and also for certain disclosures requirement of the CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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

Metin Canoğulları, SMMM

14 February 2012
Istanbul, Turkey

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated balance sheet

as at 31 December 2011

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

	Notes	Current period Audited 31 December 2011	Prior period Audited 31 December 2010
Assets			
Current assets		4.031.461	3.712.265
Cash and cash equivalents	6	978.676	1.219.007
Trade receivables			
-Due from related parties	10	14.880	21.407
-Other trade receivables	8	1.978.584	1.700.027
Other receivables	12	108.009	34.417
Inventories	13	106.607	81.444
Other current assets	15	844.705	655.963
Non-current assets		12.142.946	11.387.756
Trade receivables	8	83.307	48.890
Other financial assets	17	536	3.586
Other receivables	12	1.822	2.148
Financial investments	16	11.840	11.840
Investment property	19	257.601	274.237
Property, plant and equipment	20	7.898.823	7.161.063
Intangible assets	21	3.539.914	3.516.788
Goodwill	18	53.400	52.873
Deferred tax asset	14	261.692	258.650
Other non-current assets	15	34.011	57.681
Total assets		16.174.407	15.100.021

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated balance sheet

as at 31 December 2011

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

	Notes	Current period Audited 31 December 2011	Prior period Audited 31 December 2010
Liabilities			
Current liabilities		5.607.183	4.820.529
Financial liabilities			
-Bank borrowings	7	2.294.597	1.863.186
-Obligations under finance leases	9	7.080	5.726
Other financial liabilities	17	31.643	46.011
Trade payables			
-Due to related parties	10	5.602	4.239
-Other trade payables	8	1.545.513	1.306.866
Other payables	12	455.139	291.518
Income tax payable	31	170.875	142.405
Provisions	22	239.926	282.396
Other current liabilities	15	856.808	878.182
Non-current liabilities		4.797.853	4.104.735
Financial liabilities			
-Bank borrowings	7	3.015.765	2.300.849
-Obligations under finance leases	9	28.718	29.628
Other financial liabilities			
-Minority put option liability	11	558.251	525.894
-Derivative financial instruments	17	3.475	27.779
Trade payables	8	87.375	80.561
Other payables	12	8.823	13.761
Provisions	22	11.518	9.329
Provisions for employee termination benefits	22	562.595	606.606
Deferred tax liability	14	269.913	301.551
Other non-current liabilities	15	251.420	208.777
Equity		5.769.371	6.174.757
Equity attributable to parent			
Paid-in share capital	23	3.500.000	3.500.000
Inflation adjustments to paid in capital	23	(239.752)	(239.752)
Other reserves	11,22,23,24	(1.382.596)	(1.121.549)
Currency translation reserve		40.831	9.885
Restricted reserves allocated from profits		1.653.106	1.446.210
Retained earnings	23	129.106	129.106
Net income for the year		2.068.676	2.450.857
Total liabilities and equity		16.174.407	15.100.021

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated income statement

for year ended 31 December 2011

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

	Notes	Current period Audited 1 January 2011- 31 December 2011	Prior period Audited 1 January 2010- 31 December 2010
Sales	5	11.940.555	10.852.470
Cost of sales (-)	5, 27	(5.279.179)	(4.977.441)
Gross profit		6.661.376	5.875.029
Marketing, sales and distribution expenses (-)	5, 27	(1.906.793)	(1.519.529)
General administrative expenses (-)	5, 27	(1.568.499)	(1.443.765)
Research and development expenses (-)	5, 27	(27.054)	(22.929)
Other operating income	5, 29	467.539	521.064
Other operating expense (-)	5, 29	(126.062)	(98.704)
Operating profit		3.500.507	3.311.166
Financial income	30	395.721	424.405
Financial expense (-)	30	(1.287.129)	(608.565)
Profit before tax		2.609.099	3.127.006
Tax expense			
-Current tax expense	31	(734.466)	(765.343)
-Deferred tax income/(expense)	14, 31	24.893	(33.240)
Profit for the year		1.899.526	2.328.423
Attribution of period income			
Attributable to equity holders of the parent		2.068.676	2.450.857
Minority interest	23	(169.150)	(122.434)
Earnings per share attributable to equity holders of the parent (in full Kuruş)	23	0,5911	0,7002
Earnings per diluted share attributable to equity holders of the parent (in full Kuruş)	23	0,5911	0,7002

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated statement of comprehensive income

for year ended 31 December 2011

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

	Current period	Prior period
	Audited	Audited
	1 January 2011-31 December 2011	1 January 2010-31 December 2010
Profit for the year	1.899.526	2.328.423
Other comprehensive income:		
Fair value loss on hedging instruments transferred to consolidated income statement (Note 17)	41.773	84.521
Change in fair value of hedging instruments	(13.015)	(23.527)
Hedge of net investment in a foreign operation (Note 17)	(46.545)	(925)
Tax effect of hedge of net investment in a foreign operation	9.494	-
Change in currency translation differences	30.946	10.073
Actuarial loss arising from employee benefits (Note 22)	(63.541)	(91.336)
Tax effect of actuarial loss from employee benefits	12.293	18.065
Other comprehensive loss (after tax)	(28.595)	(3.129)
Total comprehensive income	1.870.931	2.325.294
Appropriation of total comprehensive income:		
Attributable to equity holders of the parent	2.035.110	2.436.602
Minority interest	(164.179)	(111.308)

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated statement of changes in equity for the year ended 31 December 2011

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

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 24)	Difference arising from acquisition of subsidiary	Reserve for hedge of net investment in a foreign operation	Cash flow hedge reserve	Actuarial loss arising from employee benefits	Currency translation reserve	Retained earnings	Net income for the year	Total	Minority interest	Total equity
Balance as at 1 January 2010	3.500.000	(239.752)	1.204.192	(488.749)	9.528	(308.634)	-	(86.441)	(128.826)	(188)	101.088	1.859.748	5.421.966	-	5.421.966
Net profit for the year	-	-	-	-	-	-	-	-	-	-	-	2.450.857	2.450.857	(122.434)	2.328.423
Other comprehensive income/(loss)	-	-	-	-	-	-	(925)	49.655	(73.058)	10.073	-	-	(14.255)	11.126	(3.129)
Total comprehensive income	-	-	-	-	-	-	(925)	49.655	(73.058)	10.073	-	2.450.857	2.436.602	(111.308)	2.325.294
Transfer to restricted reserves allocated from profits	-	-	242.018	-	-	-	-	-	-	-	28.018	(270.036)	-	-	-
Minority interest before classification to minority put option liability (Note 23)	-	-	-	-	-	-	-	-	-	-	-	-	-	54.354	54.354
Minority put option liability	-	-	-	(94.099)	-	-	-	-	-	-	-	-	(94.099)	56.954	(37.145)
Dividends paid (Note 23)	-	-	-	-	-	-	-	-	-	-	-	(1.589.712)	(1.589.712)	-	(1.589.712)
Balance as at 31 December 2010	3.500.000	(239.752)	1.446.210	(582.848)	9.528	(308.634)	(925)	(36.786)	(201.884)	9.885	129.106	2.450.857	6.174.757	-	6.174.757
Balance as at 1 January 2011	3.500.000	(239.752)	1.446.210	(582.848)	9.528	(308.634)	(925)	(36.786)	(201.884)	9.885	129.106	2.450.857	6.174.757	-	6.174.757
Net profit for the year	-	-	-	-	-	-	-	-	-	-	-	2.068.676	2.068.676	(169.150)	1.899.526
Other comprehensive income/(loss)	-	-	-	-	-	-	(37.051)	23.400	(50.861)	30.946	-	--	(33.566)	4.971	(28.595)
Total comprehensive income	-	-	-	-	-	-	(37.051)	23.400	(50.861)	30.946	-	2.068.676	2.035.110	(164.179)	1.870.931
Transfer to restricted reserves allocated from profits	-	-	206.896	-	-	-	-	-	-	-	-	(206.896)	-	-	-
Minority interest before classification to minority put option liability (Note 23)	-	-	-	-	-	-	-	-	-	-	-	-	-	(56.954)	(56.954)
Minority put option liability (Note 11)	-	-	-	(196.535)	-	-	-	-	-	-	-	-	(196.535)	221.133	24.598
Dividends paid (Note 23)	-	-	-	-	-	-	-	-	-	-	-	(2.243.961)	(2.243.961)	-	(2.243.961)
Balance as at 31 December 2011	3.500.000	(239.752)	1.653.106	(779.383)	9.528	(308.634)	(37.976)	(13.386)	(252.745)	40.831	129.106	2.068.676	5.769.371	-	5.769.371

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated cash flow

for the year ended 31 December 2011

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

	Notes	Current period Audited 1 January-31 December 2011	Prior period Audited 1 January-31 December 2010
Profit for the period before income tax		2.609.099	3.127.006
Adjustments to reconcile profit before tax to cash provided by operating activities:			
Depreciation, amortization expenses and impairment	28	1.576.530	1.523.538
Gain on sale of property, plant and equipment	29	(5.691)	(26.340)
IFRIC 12 adjustment		(16.140)	(16.193)
Foreign currency exchange income / (expense), net		630.221	1.071
Interest expense and income, net		18.693	(1.546)
Reversal of doubtful receivables	8,29	(233.940)	(185.691)
Allowance for doubtful receivables	8,12	230.268	277.349
Provision for employee termination benefits	22	100.760	108.187
Curtailment and settlement gain	22,30	--	(88.657)
Litigation provision	22	(31.136)	64.360
Unused vacation provision	22	15.405	(7.816)
Loss /(gain) on derivative financial instruments, net		56.153	102.285
Obsolete inventory provision		9.556	16.080
Other provisions		2.190	1.891
Operating profit before working capital changes		4.961.968	4.895.524
Net working capital changes in:			
Trade and other receivables		(298.108)	(348.416)
Other current assets and inventories		(288.507)	(163.232)
Trade and other payables		241.628	497.829
Other non-current assets		24.066	(46.756)
Other-current liabilities and provisions		175.253	44.185
Other non-current liabilities		4.913	88.257
Payments made for long-term employee benefits		(208.269)	(138.821)
Restricted cash		77.299	(185.738)
Provisions paid	22	(23.636)	(25.885)
Taxes paid		(696.452)	(772.721)
Net cash provided by operating activities		3.970.155	3.844.226
Investing activities			
Interest received		208.801	199.933
Acquisition of subsidiary, net of cash acquired		-	(237.871)
Proceeds from sale of property, plant, equipment and intangible assets		58.483	82.086
Purchase of property, plant and equipment and intangible assets	19, 20, 21	(2.327.013)	(1.804.974)
Net cash used in investing activities		(2.059.729)	(1.760.826)
Cash flow from financing activities			
Proceeds from bank borrowings	8	15.964.755	15.354.674
Repayment of bank borrowings	8	(15.498.051)	(15.283.572)
Repayment of obligations under financial leases		(6.386)	(5.007)
Interest paid		(227.152)	(191.511)
Dividends paid	23	(2.243.961)	(1.589.712)
Derivative instrument payments		(79.298)	(79.192)
Net cash used in financing activities		(2.090.093)	(1.794.320)
Net increase / (decrease) in cash and cash equivalents		(179.667)	289.080
Foreign exchange differences on cash and cash equivalents at the beginning of the year		16.635	(10.053)
Cash and cash equivalents at the beginning of the year	6	389.627	110.600
Cash and cash equivalents at the end of the year	6	226.595	389.627

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2011

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

1. Corporate organization and activities

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

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

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

Oger Telecom Limited (Oger Telecom) owns 99% of the shares of OTAŞ, which in turn owns 55% of the Company. Oger Telecom 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 2011 and 31 December 2010, the ultimate parent and controlling party of the Company is Saudi Oger Ltd ("Saudi Oger"), because of its controlling ownership in Oger Telecom.

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

The details of the Company's subsidiaries as at 31 December 2011 and 2010 are as follows:

				Effective ownership of the Company (%)	
Name of Subsidiary	Place of incorporation and operation	Principal activity	Functional Currency	31 December 2011	31 December 2010
TTNet Anonim Şirketi ("TTNet")	Turkey	Internet Service Provider	Turkish Lira	99,96	99,96
Avea İletişim Hizmetleri A.Ş.("Avea")	Turkey	GSM Operator	Turkish Lira	81,37	81,37
Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret Anonim Şirketi ("Argela")	Turkey	Telecommunications solutions	Turkish Lira	99,96	99,96
Innova Bilişim Çözümleri Anonim Şirketi ("Innova")	Turkey	Telecommunications solutions	Turkish Lira	99,99	99,99
Assistt Rehberlik ve Müşteri Hizmetleri Anonim Şirketi ("AssisTT")	Turkey	Call centre and customer relations	Turkish Lira	99,96	99,96
Sebit Eğitim ve Bilgi Teknolojileri A.Ş. ("Sebit")	Turkey	Web based learning	Turkish Lira	99,96	99,96
Argela-USA. Inc.	USA	Telecommunication Solutions	U.S. Dollar	99,96	99,96
Sebit LLC	USA	Web Based Learning	U.S. Dollar	99,96	99,96
IVEA Software Solutions FZ-LLC ("IVEA")	UAE	Telecommunication Solutions	U.S. Dollar	99,96	99,96

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

				Effective ownership of the Company (%)	
Name of Subsidiary	Place of incorporation and operation	Principal activity	Functional Currency	31 December 2011	31 December 2010
SOBEE Yazılım Ticaret Limited Şirketi ("Sobee")	Turkey	Software gaming services	Turkish Lira	99,99	99,99
TT International Holding B.V. ("TT International")	Holland	Holding company	Euro	100	100
TT Global Services B.V. ("TT Global")	Holland	Service company	Euro	100	100
Pantel International AG ("Pantel Avustria")	Avustria	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Pantel International Hungary Kft ("Pantel Hungary")	Hungary	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
S.C. Euroweb Romania S.A. ("Pantel Romania")	Romania	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Pantel International Bulgaria EODD ("Pantel Bulgaria")	Bulgaria	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Pantel International CZ s.r.o ("Pantel Czech Republic")	Czech Republic	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Pantel Telcom d.o.o Beograd ("Pantel Serbia ")	Serbia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Pantel Telcomunikacije d.o.o ("Pantel Slovenia ")	Slovenia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Pantel International SK s.r.o ("Pantel Slovakia ")	Slovakia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
MTCTR Memorex Telekomunikasyon Sanayi ve Ticaret Limited Şirketi ("Pantel Turkey")	Turkey	Internet/data services, infrastructure and wholesale voice services provider	Turkish Lira	100	100
Memorex Telex Communications UA Ltd. ("Pantel Ukraine")	Ukraine	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Pantel International Italia S.R.L. ("Pantel İtalia)	İtalia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Pantel International DOOEL Skopje ("Pantel Macedonia")	Macedonia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Pantel International LLC ("Pantel Russia")	Russia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	-
Türk Telekomunikasyon Euro Gmbh. ("TT Euro")	Germany	Mobil service marketing	Euro	100	-
Pan Telekom D.O.O. ("Pantel Crotia")	Crotia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	-
Net Ekran TV ve Medya Hiz. A.Ş. ("Net Ekran")	Turkey	Television and radio broadcasting	Turkish Lira	100	-

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 2011 and 2010 are disclosed in Note 22.

Consolidated financial statements were approved by the Board of Directors of the Company and authorized for issue on 14 February 2012. The general assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2011

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

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

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.

Excluding the subsidiaries incorporated outside of Turkey which are Argela-USA. Inc., IVEA, Sebit LLC, TT International, TT Global, TT Euro and Pantel Group, functional currency of all entities' included in consolidation is Turkish Lira ("TL") and they maintain their books of account and prepare their statutory financial statements in Turkish Lira ("TL") in accordance with Turkish Commercial Code and Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance.

The consolidated financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with the Accounting Standards of the CMB and are presented in TL. 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 "Benefits Provided to Employees", and the effects of application of International Financial Reporting Standards ("IFRS") 3 "Business Combinations".

As at 31 December 2011 and 2010, the consolidated financial statements have been prepared on the historical cost basis except with for the property, plant and equipment and investment property for which the deemed cost method was applied in accordance with IAS 16 "Property, Plant and Equipment" for acquisitions prior to 1 January 2000, derivative financial instruments and minority put option liability which have been reflected at their fair values.

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

In accordance with article 5 of the CMB Accounting Standards, companies should apply IFRS as adopted by the European Union (EU). However, again in accordance with the provisional clause 2 of the same standards adoption of the IFRS as adopted by the EU is postponed until the Turkish Accounting Standards Board declares the differences between the IFRS as adopted by the EU and the IFRS as adopted by the International Accounting Standards Board (IASB). Thus, as at and for the year ended 31 December 2011, the Group prepared its consolidated financial statements in accordance with IFRS adopted by the IASB.

Additional paragraph for convenience translation to English:

As at 31 December 2011, the accounting principles described in Note 2 (defined as CMB Accounting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting and also for certain disclosures requirement of the CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

Classifications applied to financial statements as of 31 December 2010

In order to be comparable with the balance sheet and income statement dated 31 December 2011, below explained classifications are made to the comparative consolidated balance sheets and income statement.

As a result of amendment in the Group's cost accounts, amounts of TL 59.929, TL (52.077), TL (49.351), TL (704) and TL 42.203 are classified to cost of sales, marketing, sales and distribution, general administration, research and development expenses and other operating income, respectively.

The Group adopted the revised IAS 24 "Related Party Disclosures" beginning from 1 January 2011. In accordance with the exemption given with the amended standard from the disclosure requirements of transactions and balances with related parties that are controlled by government, the Group has reclassified balances with state controlled entities to other trade receivables and other trade payables, which were reported under trade receivables from related parties and trade payables to related parties as at 31 December 2010 at the amount of TL 113.106 and TL 39.822, respectively. As also discussed at Note 7, related parties that are controlled by government are not excluded from the definition of a related party, but in accordance with the exemption given, total amount of transactions and balances with such entities are not disclosed.

2.2 Changes in accounting policies.

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2011 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2011. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at 1 January 2011 are as follows:

IFRIC 14 IAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction-Prepayments of a Minimum Funding Requirement (Amended)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognized as a pension asset. The Group is not subject to minimum funding requirements; therefore the amendment of the interpretation has no effect on the financial position or performance of the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

This interpretation addresses the accounting treatment when there is a renegotiation between the entity and the creditor regarding the terms of a financial liability and the creditor agrees to accept the entity's equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies such equity instruments are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognized and the equity instruments issued are treated as consideration paid to extinguish that financial liability. This interpretation does not apply when the creditor is acting in the capacity of a shareholder, in common control transactions or when the issue of equity shares was part of the original terms of the liability. The adoption of the interpretation did not have any impact on the financial position or performance of the Group.

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IAS 32 Financial Instruments: Presentation-Classifications on Rights Issues (Amended)

The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has no effect on the financial position or performance of the Group because the Group does not have these types of instruments.

IAS 24 Related Party Disclosures (Revised)

Amended standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. In addition, the revised standard introduces a partial exemption of general disclosure requirements for transactions with government-related entities. The impact of the adoption of the amendment on the financial position or performance of the Group is explained at Note 2.1, "Classifications applied to financial statements as of 31 December 2010".

Improvements to IFRSs

In May 2010 the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The adoption of the following amendments resulted in changes to accounting policies and changes in disclosures, but no impact on the financial position or performance of the Company (Group). There are separate transitional provisions for each standard. The amendments that are effective as at 1 January 2011 are as follows:

IFRS 3 Business Combinations

i) Transition requirements for contingent consideration from a business combination that occurred before the effective date of revised IFRS

This improvement clarifies that the amendments to IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

ii) Measurement of non-controlling interests

This improvement limits the scope of the measurement choices (fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets) only to the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets.

iii) Unreplaced or voluntarily replaced share-based payment awards

This improvement requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration paid and post combination expenses.

IFRS 7 Financial Instruments: Disclosures

This improvement gives clarifications of disclosures required by IFRS 7 and emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. Among others, the improvement remove the disclosure requirement of the collateral held as security and other credit enhancements and estimate of their fair value for financial assets that are past due but not impaired and that are individually impaired; and instead include a disclosure requirement of financial effect of collateral held as security and other credit enhancements for all financial assets.

IAS 1 Presentation of Financial Statements

This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

IAS 27 Consolidated and Separate Financial Statements

This improvement clarifies that the consequential amendments from IAS 27 made to IAS 21 "The Effect of Changes in Foreign Exchange Rates", IAS "28 Investments in Associates" and IAS 31 "Interests in Joint Ventures" apply prospectively for annual periods beginning on or after 1 July 2009 or earlier when IAS 27 is applied earlier.

IAS 34 Interim Financial Reporting

This improvement provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements on i) the circumstances likely to affect fair values of financial instruments and their classification, ii) transfers of financial instruments between different levels of the fair value hierarchy, iii) changes in classification of financial assets, and iv) changes in contingent liabilities and assets.

IFRIC 13 Customer Loyalty Programs

This improvement clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

Standards issued but not yet effective and not early adopted

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

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

The amendments are effective for annual periods beginning on or after 1 July 2012, but earlier application is permitted. The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. This standard has not yet been endorsed by the EU. The amendment affects presentation only and will have no impact on the financial position or performance of the Group.

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

The amendments are mandatory for annual periods beginning on or after 1 January 2012, but earlier application is permitted. IAS 12 has been updated to include i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. These amendments will be applied retrospectively. This standard has not yet been endorsed by the EU. The Group does not expect that this amendment will have significant impact on the financial position or performance of the Group.

IAS 19 Employee Benefits (Amended)

Amended standard is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the amended standard on the financial position or performance of the Group.

IAS 27 Separate Financial Statements (Amended)

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

IAS 28 Investments in Associates and Joint Ventures (Amended)

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

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

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

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

The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitizations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. This amendment has not yet been endorsed by the EU. The amendment is effective for annual periods beginning on or after 1 July 2011. Comparative disclosures are not required. The amendment affects disclosures only and will have no impact on the financial position or performance of the Group.

IFRS 7 Financial Instruments: Disclosures-Offsetting Financial Assets and Financial Liabilities (Amended)

New disclosures would provide users of financial statements with information that is useful in (a) evaluating the effect or potential effect of netting arrangements on an entity's financial position and (b) analyzing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards. This standard has not yet been endorsed by the EU. The amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The amendment affects disclosures only and will have no impact on the financial position or performance of the Group.

IFRS 9 Financial Instruments – Classification and measurement

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

IFRS 10 Consolidated Financial Statements

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

IFRS 11 Joint Arrangements

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

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The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This standard has not yet been endorsed by the EU. The Group does not expect that this standard will have a significant impact on the financial position or performance of the Group.

IFRS 12 Disclosure of Interests in Other Entities

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements should be also adopted early.

IFRS 12 includes all of the disclosures that were previously in IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. This standard has not yet been endorsed by the EU. Under the new standard the Group will provide more comprehensive disclosures for interests in other entities.

IFRS 13 Fair Value Measurement

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

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

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

2.2 Basis of consolidation

As at 31 December 2011, the consolidated financial statements include the financial results of Türk Telekom and its subsidiaries listed at Note 1. Control is normally evidenced when the Company owns, either directly or indirectly, more than 50% of the voting rights of a subsidiary's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The results of subsidiaries acquired during the year are included in the consolidated statements of income from the effective date of acquisition as appropriate.

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

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

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

Loses within a subsidiary are attributed to minority interest even if that result in deficit balance. As at 31 December 2011, minority interest in Innova, Argela, AssisTT, Sebit, Sobee, Argela-USA, Inc, IVEA and Sebit LLC have not been recognized in the consolidated financial statements due to their immateriality.

On 15 September 2006, the Company, Türkiye İş Bankası A.Ş. (İş Bank) and the companies controlled by İş Bank (altogether will be referred as İş Bank Group) signed an "Amendment Agreement" to the "Shareholder Agreement" and the "IPO and Put Option Agreement" originally dated 15 February 2004. In accordance with the Amendment Agreement, the Company has granted a put option to İş Bank Group, the minority shareholder in Avea, on the shares owned by İş Bank Group. In order to reflect the minority put option liability in the consolidated financial statements, the minority interest is reclassified as minority put option liability as ''long term liabilities' after appropriation to the minority interest of its share of recognized income and expense for the year. The value of the minority interest before the fair value calculation and the fair value amount is classified as 'minority put option liability reserve' based on the Group accounting principles applied for the acquisition of minority shares (Notes 11 and 23).

3. Valuation basis and Significant accounting policies applied

Business combinations

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

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

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

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

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

If the fair values of the acquired identifiable assets, liabilities and contingent liabilities or cost of the acquisition are based on provisional assessment as at the balance sheet date, the Group made provisional accounting.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the aggregate of the consideration transferred measured at fair value at the date of acquisition and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed at fair value in accordance with IFRS 3 on the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Whenever the carrying amount exceeds the recoverable amount, an impairment loss is recognized in the consolidated 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 2011 and 2010, the Group accounted its 20% shareholding in Cetel as financial investments in the consolidated financial statements. As of 31 December 2011 and 2010, Cetel is carried at cost after deducting impairment, if any, because the Company does not have significant influence at Cetel. The Company cannot obtain the financial information necessary for equity accounting and cannot influence Cetel with this regard. Accordingly, the Company believes that it does not have significant influence on Cetel.

Property, plant and equipment

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

Expenditures incurred after the PPE has been put into operation, such as repairs and maintenance, are normally charged to 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:

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

(*) The remaining useful lives of the PPE are limited to the concession periods. Considering the Concession Agreement useful lives of purchases made in 2011 are limited to 15 years.

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.

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.

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Investment property

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

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

Depreciation is charged 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, 2011 acquisitions' useful lives are limited to 15 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. 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, 2011 acquisitions' useful lives are limited to 15 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.

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.

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

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

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 equity instrument if, are met:

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

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

Cash and cash equivalents

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

Trade and other receivables and allowances for doubtful receivables

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

Trade and other payables

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

Financial borrowings

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

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

Derivative financial instruments

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

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

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

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

Cash flow hedges

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

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

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Amounts taken to the consolidated statement of comprehensive income 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.

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

Equity instruments

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

Derecognition of financial assets and liabilities

Financial assets

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

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

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

Financial liabilities

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

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.

Parties are considered related to the Company if;

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

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

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

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

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

Long-term employee benefits

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

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

Provisions

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

Contingent assets and liabilities

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

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

Taxation and deferred income taxes

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

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated 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 no netting on a consolidation basis. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to consolidated 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.

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.

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Fixed-line revenues

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

Revenues from sale of Indefeasible Right of Use are accounted over the term of the contract.

GSM revenues

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

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

Equipment sales revenues

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

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

Borrowing costs

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

Other income

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

Subscriber acquisition costs

The Group 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.

Effects of changes in exchange rates

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

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

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

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

4. Critical accounting judgments and key sources of estimation uncertainty

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

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

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

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

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

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

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

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

Key sources of estimation uncertainty

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

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

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

i) As of 31 December 2011, the Company considers that approximately 30% of the foreseen network investments related with the replacement of the network equipment that are reclassified to intangible assets at 1 January 2007 and then are recorded to financial statements as intangible assets are the contractual replacements as required by the concession agreement. The Group has provided provision amounting to TL11.518 (Note 22) in the consolidated financial statements for the foreseen contractual replacements in the future. Aforementioned provision is the present value as at 31 December 2011 of the contractual replacement expenses that will be realized in the future. Discount rate used in provision calculation is determined as 12,4%.

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 as of 31 December 2011. The profit margin of property, plant and equipment accounted within the scope of IFRIC 12 amounting to TL 140.297 (2010 – TL 140.755) (Note 21) is TL 16.140 for the year ended as of 31 December 2011 (2010 – TL 16.193).

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

d) Assumptions used in the impairment test of property, plant and equipment and intangible assets have been explained in Notes 18 and 20.

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

Assumptions used to calculate allowance for doubtful receivables have been reconsidered by the Group during 2011. If the assumptions have not been changed allowance for doubtful receivables would have been TL 26.972 higher for the year ended 31 December 2011. The effect of the change in doubtful receivable estimate on future periods cannot be computed because the allowance for doubtful receivables depends on future collections and total amount that will be invoiced.

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

g) There are other estimations made by the management during the determination of useful lives and provisions for litigations (Note 22).

h) The Group calculates market value of minority share put opinion liability as at 1 January 2015, based on discounted cash flow method. Value of the liability is determined as of 1 January 2015 and discounted to 31 December 2011 (The details have been explained in Note 11).

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5. Segment reporting

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

	Fixed line		Mobile		Eliminations		Consolidated	
	1 January-31 December 2011	1 January-31 December 2010	1 January-31 December 2011	1 January-31 December 2010	1 January-31 December 2011	1 January-31 December 2010	1 January-31 December 2011	1 January-31 December 2010
Revenue								
Domestic PSTN	4.114.396	4.254.609	-	-	-	-	4.114.396	4.254.609
ADSL	2.924.566	2.473.009	-	-	-	-	2.924.566	2.473.009
GSM	-	-	3.080.495	2.646.343	-	-	3.080.495	2.646.343
IFRIC 12 revenue	140.297	140.755	-	-	-	-	140.297	140.755
Data service revenue	443.004	364.451	-	-	-	-	443.004	364.451
International sales	461.009	228.566	-	-	-	-	461.009	228.566
Interconnection revenue	321.493	283.401	-	-	-	-	321.493	283.401
Leased lines	449.416	485.602	-	-	-	-	449.416	485.602
Rent income from GSM operators	98.513	100.535	-	-	-	-	98.513	100.535
Other	244.879	180.186	-	-	-	-	244.879	180.186
Eliminations	-	-	-	-	(337.513)	(304.987)	(337.513)	(304.987)
Total revenue	9.197.573	8.511.114	3.080.495	2.646.343	(337.513)	(304.987)	11.940.555	10.852.470
Cost of sales and operating expenses (excluding depreciation and amortization)	(4.832.596)	(4.402.654)	(2.706.805)	(2.344.315)	334.406	306.843	(7.204.995)	(6.440.126)
Other operating income / (expense)	337.998	398.216	6.161	29.912	(2.682)	(5.768)	341.477	422.360
Depreciation and amortization and impairment	(974.110)	(891.956)	(603.926)	(633.230)	1.506	1.648	(1.576.530)	(1.523.538)
EBITDA	4.702.975	4.506.676	379.851	331.940	(5.789)	(3.912)	5.077.037	4.834.704
Doubtful receivable provision expense	180.280	200.394	49.776	76.955	-	-	230.056	277.349
Capital expenditure	1.497.607	1.263.118	798.837	470.225	(2.788)	(68)	2.293.656	1.733.275

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	1 January- 31 December 2011	1 January- 31 December 2010
Fixed line segment EBITDA	4.702.975	4.506.676
Mobile segment EBITDA	379.851	331.940
Inter-segment eliminations	(5.789)	(3.912)
Consolidated EBITDA	5.077.037	4.834.704
Financial income	395.721	424.405
Financial expenses (-)	(1.287.129)	(608.565)
Depreciation and amortization	(1.576.530)	(1.523.538)
Consolidated profit before tax	2.609.099	3.127.006

31 December 2011

	Fixed line	Mobile	Eliminations	Other unallocated amounts	Total
Total segment assets	15.809.970	5.274.992	(4.910.555)	-	16.174.407
Total segment liabilities	(8.309.437)	(6.462.623)	4.925.275	(558.251)(*)	(10.405.036)

31 December 2010

	Fixed line	Mobile	Eliminations	Other unallocated amounts	Total
Total segment assets	13.648.120	4.956.339	(3.504.438)	-	15.100.021
Total segment liabilities	(7.200.372)	(4.736.921)	3.537.923	(525.894) (*)	(8.925.264)

(*) Includes minority put option liability amounting to TL 558.251 (2010 – TL 525.894).

6. Cash and cash equivalents

	31 December 2011	31 December 2010
Cash on hand	2.495	1.094
Cash at banks – Demand deposits	399.447	397.065
Cash at banks – Time deposits	575.603	820.483
Other	1.131	365
	978.676	1.219.007

As of 31 December 2011, time deposits are all short-term, maturing within one month and denominated in both foreign currencies and TL. The interest rates are between 3,75%-12,15% for TL deposits, between 0,50%-5.10% for US Dollar deposits and between 1,60%-8,00% for Euro deposits. (31 December 2010 – for TL deposits between 4,00% and 9,50% for TL deposits, for US Dollar deposits between 0,25% and 2,90% and for Euro deposits between 0,50% and 3,60%).

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As of 31 December 2011, TL 119.374 (2010-TL 169.821) of time deposits represents advances received from the Turkish Armed Forces for Turkish Armed Forces Integrated Communication Systems ("TAFICS") projects. The interest income from these time deposits are added to the advances received and not reflected in the consolidated statement of income as per agreement between parties (Note 15). These time deposits are restricted and can only be used for payments related to TAFICS projects.

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

	31 December 2011	31 December 2010
Cash and cash equivalents	978.676	1.219.007
Less: restricted amounts	(119.374)	(169.821)
-Collection protocols	(323.643)	(308.128)
-Restricted deposits in relation to bank borrowings	(283.965)	(332.851)
-ATM collection	(4.869)	(5.227)
-Other	(20.230)	(13.353)
	226.595	389.627

As of 31 December 2011, demand deposits amounting to TL 323.643 (2010-TL 308.128) is restricted due to collection protocols signed with banks for receipts from the subscribers, under which proceeds are made available to the Group a certain number of days after the cash is collected. As of 31 December 2011, all (2010-TL 219.938) of restricted deposits in relation to bank borrowings consist of blocked time deposits related to Avea's bank borrowing. An additional amount of TL 4.869 arising from collections through automated teller machine ("ATM") is not available for use at 31 December 2011 (2010-TL 5.227).

Within the context of the Bank Account Pledge Agreement signed by Avea and its lenders, Avea provided an account pledge over all of its bank accounts (amounting to 472.798 TL at 31 December 2011 ; 2010-TL 609.236) 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.

Out of TL 978.676 (2010-TL 1.219.007), cash and cash equivalents amounting to TL 472.798 (2010 – TL 609.271) belongs to Avea.

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7. Financial liabilities– Net

	31 December 2011			31 December 2010		
	Weighted average nominal interest rate (%)	Original amount	TL equivalent	Weighted average nominal interest rate (%)	Original amount	TL equivalent
Short-term borrowings:						
TL bank borrowings with fixed interest rates	12,11	755.292	755.292	6,39	669.284	669.284
US Dollar bank borrowings with variable interest rates						
Euro bank borrowings with fixed interest rates				4,00	55.104	112.914
Interest accruals:						
TL bank borrowings with fixed interest rates		2.219	2.219		231	231
US Dollar bank borrowings with fixed interest rates		1.389	2.624		1.098	1.698
US Dollar bank borrowings with variable interest rates		7.526	14.216		7.686	11.883
Euro bank borrowings with fixed interest rates		54	132		248	508
Euro bank borrowings with variable interest rates		6.035	14.748		4.432	9.082
Short-term portion of long-term bank borrowings:						
US Dollar bank borrowings with fixed interest rates	3,00	43.383	81.947	2,94	132.936	205.519
US Dollar bank borrowings with variable interest rates (*)	3,16	403.492	762.159	3,15	301.683	466.402
Euro bank borrowings with fixed interest rates	6,83	11.157	27.265	-	-	-
Euro bank borrowings with variable interest rates (**)	3,92	259.431	633.995	4,07	188.212	385.665
Total short-term borrowings			2.294.597			1.863.186
Long-term borrowings:						
US Dollar bank borrowings with fixed interest rates	3,00	344.614	650.940	2,94	125.576	194.140
US Dollar bank borrowings with variable interest rates (*)	3,16	433.420	818.689	3,15	669.271	1.034.693
Euro bank borrowings with fixed interest rates	-	-	-	6,83	11.378	23.315
Euro bank borrowings with variable interest rates (**)	3,92	632.677	1.546.136	4,07	511.786	1.048.701
Total long-term borrowings			3.015.765			2.300.849
Total financial liabilities			5.310.362			4.164.035

(*) Libor + (varies between 1,70 – 3,75) spread
(**) Euribor + (varies between 0,25 – 3,75) spread

As of 31 December 2011 the fair value of the bank borrowings is TL 5.307.258 (2010-TL 4.149.376). Avea's total borrowings included in the consolidated financial statements amount to TL 683.017 (2010-TL 923.825).

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

	31 December 2011					31 December 2010				
	Up to 3 months	3 months to 1 year	1year to 5 years	More than 5 years	Total	Up to 3 months	3 months to 1 year	1year to 5 years	More than 5 years	Total
TL bank borrowings with fixed interest rates	757.511	-	-	-	757.511	666.708	2.807	-	-	669.515
US Dollar bank borrowings with fixed interest rates	3.354	81.217	516.028	134.912	735.511	2.983	204.234	120.690	73.450	401.357
US Dollar bank borrowings with variable interest rates	350.269	426.106	742.214	76.475	1.595.064	181.015	297.270	1.023.959	10.734	1.512.978
Euro bank borrowings with variable interest rates	227	27.170	-	-	27.397	113.422	-	23.315	-	136.737
Euro bank borrowings with variable interest rates	96.483	552.260	1.234.441	311.695	2.194.879	20.896	373.851	952.573	96.128	1.443.448
	1.207.844	1.086.753	2.492.683	523.082	5.310.362	985.024	878.162	2.120.537	180.312	4.164.035

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

	31 December 2011					31 December 2010				
	Up to 3 months	3 months to 1 year	1year to 5 years	More than 5 years	Total	Up to 3 months	3 months to 1 year	1year to 5 years	More than 5 years	Total
TL bank borrowings with fixed interest rates	757.511	-	-	-	757.511	666.708	2.807	-	-	669.515
US Dollar bank borrowings with fixed interest rates	3.354	81.217	516.028	134.912	735.511	2.983	204.234	120.690	73.450	401.357
US Dollar bank borrowings with variable interest rates	1.532.726	62.338	-	-	1.595.064	1.325.946	187.032	-	-	1.512.978
Euro bank borrowings with variable interest rates	227	27.170	-	-	27.397	113.422	-	23.315	-	136.737
Euro bank borrowings with variable interest rates	988.437	1.206.442	-	-	2.194.879	569.950	873.498	-	-	1.443.448
	3.282.255	1.377.167	516.028	134.912	5.310.362	2.679.009	1.267.571	144.005	73.450	4.164.035

The following borrowings of Avea as of 31 December 2011 and 2010 are secured by a security package:

	31 December 2011			31 December 2010		
	US Dollar	Euro	TL Equivalent	US Dollar	Euro	TL Equivalent
Borrowings secured by security package	335.216	20.068	682.232	554.284	30.988	920.420

Before the merger of the Company's former subsidiary of Aycell Haberleşme ve Pazarlama Hizmetleri A.Ş. ("Aycell") with Aria İletişim Hizmetleri A.Ş. ("Aria", former subsidiary of İş-TIM Telekomünikasyon Hizmetleri A.Ş.), Aria was granted financing from its network suppliers in 2001 for the acquisition of its property and equipment secured with a security package created in 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 Aria and the trade name of Avea, (excluding the movable fixed assets of commercial enterprise of Aycell). The Commercial Enterprise Pledge secures the Senior Secured Financial Indebtedness of Avea up to a maximum amount of TL 1 million (equivalent to US Dollar 529.409 as at 31 December 2011). At 31 December 2011, the total Senior Secured Financial Indebtedness of Avea amounts to approximately TL 682.232 (2010-TL 920.420).

-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 2011-TL 472.798; 2010-TL 609.236).

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

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

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

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

1. Financial covenants (ratios):

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

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

2. General undertakings, among others, are:

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

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

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

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

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

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

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c) Pledging shares it owns in Avea,

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

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

The support has been wholly used as of 31 December 2011.

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

The support has been wholly used as of 31 December 2011.

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

The support has been wholly used as of 31 December 2011.

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

Pantel Turkey, in return for this loan, assigned its receivables amounting to its outstanding loan balance to the corresponding bank. As of 31 December 2011 loan payable amounts to Euro 3.800.

8. Trade receivables and payables

a) Trade receivables

	31 December 2011	31 December 2010
Short-term		
Trade receivables	3.221.509	2.993.022
Other trade receivables	70.024	24.075
Allowance for doubtful receivables (-)	(1.312.949)	(1.317.070)
Total short-term trade receivables	1.978.584	1.700.027
Long-term		
Trade receivables	83.307	48.890
Total long-term trade receivables	83.307	48.890

Trade receivables generally have an average 30 day terms (2010 – 30 days).

As of 31 December 2011, long-term trade receivables are comprised of receivables from equipment sales in connection with campaigns with collection term over one year. Short term receivables from equipment sales amounts to TL 161.025 (2010 – TL 118.112)

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

	31 December 2011	31 December 2010
At January 1	(1.317.070)	(1.228.656)
Provision for the year	(230.056)	(277.349)
Reversal of provision-collections (Note 30)	231.694	185.691
Write off doubtful receivables	2.501	3.244
Change in currency translation differences	(18)	-
At 31 December	(1.312.949)	(1.317.070)

The Company waits up to 90 days before initiating legal action for overdue receivables. Based on its previous collection performance from overdue receivables, the Company expects to make significant collection from its overdue receivables. As of 31 December 2011 and 2010 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 December2011	2.061.890	1.243.107	221.038	219.699	125.924	85.815	166.307
31 December 2010	1.748.917	1.089.420	196.257	242.813	67.883	45.261	107.283

Receivables guaranteed from dealers of Avea are amounting to TL 21.070 (2010 – TL 22.541).

b) Trade payables

	31 December 2011	31 December 2010
Short-term		
Trade payables	1.544.943	1.306.708
Other trade payables	570	158
Total short term trade payables	1.545.513	1.306.866
Long-term		
Trade payables	87.375	80.561
Total long term trade payables	87.375	80.561

Trade payables amounting to TL 177 as at 31 December 2011 (2010-TL 11.914) represent payable to suppliers due to TAFICS projects (Notes 6).

The average term of trade payables is between 30 and 90 days (2010 – 30 and 90 days).

As of 31 December 2011, long-term trade payables represent payables to suppliers of equipments that are purchased in connection with sale campaigns and will be paid when collected from the subscribers.

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9. Receivables and obligations under finance and operational leases

Financial leases:

The Group has no financial lease receivables as of 31 December 2011 and 2010.

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

	31 December 2011		31 December 2010	
	Principal	Interest	Principal	Interest
Within one year	7.080	1.809	5.726	1.727
Between one to two years	6.962	1.445	5.615	1.429
Between two to five years	21.756	1.820	19.223	2.477
Later than five years	-	-	4.790	131
	35.798	5.074	35.354	5.764

Operating leases:

a) After the foundation of the Company, an agreement was signed between PTT and the Company in 1997 to grant the right of free use of buildings occupied by both parties for 49 years. In 2005, an amendment was made to the agreement requiring the Company to pay TL 35.000 per year for ten years(which will be escalated based on rent increase rate determined by Ministry of Finance)to PTT in exchange for the use of net m2 of building space owned by the PTT but occupied by the Company or vice versa. The parties will renegotiate the term of the agreement at the end of ten years. Since the transaction between PTT and the Company is not an arms-length transaction, it has been reflected on a net cash basis in the consolidated financial statements, instead of grossed up fair value (Note 10)

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

	31 December 2011 (*)	31 December 2010 (*)
Within one year	54.427	49.121
In the second to fifth years (inclusive)	217.707	196.484
After fifth year	1.632.799	1.522.751
	1.904.933	1.768.356

(*) Future escalations have not been considered and future payments calculated based on current years rent amount.

b) The Company has operating lease agreements with respect to leased lines. The revenue from leased lines for the year ended 31 December 2011 is TL 317.199 (2010 – TL 369.993).

Group entered into operating lease agreements with respect to base stations and leased lines. Total operating lease expense for the year ended 31 December 2011 amounts to TL 179.644 TL (2010 –187.059).

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

	31 December 2011	31 December 2010
Within one year	105.392	88.083
Between one to two years	59.431	50.897
Between two to five years	84.557	61.118
Later than five years	27.656	21.136
	277.036	221.234

10. Due from and due to related parties-net

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

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

Details of balances and transactions between the Group and other related parties as at 31 December 2011 and 2010 are disclosed below:

	31 December 2011	31 December 2010
Due from related parties		
Parent company		
Saudi Telecom Company ("STC") (2)	14.604	12.675
Oger Telecom	-	8.640
Other related parties		
Oger Telecom Yönetim Hizmetleri Limited Şirketi		
("OTYH") (1)	78	84
Other	198	8
	14.880	21.407
Due to related parties		
Parent company		
STC (2)	667	-
Other related parties		
OTYH (1)	4.804	3.904
Other	131	335
	5.602	4.239

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

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Transactions with shareholders:

During 2011, the Company paid dividends to the Treasury at the amount of TL 673.188 (2010-TL 476.914) and to OTAŞ at the amount of TL 1.234.179 (2010-TL 874.342).

Furthermore, Avea is required under the terms of the Avea Concession Agreement, to pay 15% of its monthly gross revenue to the Treasury (the Treasury Share). In addition, the Company and other subsidiaries operating in the telecommunications sector, are liable to pay contribution at a rate of 1% to the Universal Service Fund and 0,35% to ICTA.

As of 31 December 2011, unpaid portion of these liabilities are recorded under other short term liabilities (Note 15) and are expensed under cost of goods sold account.

Transactions with other related parties:

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

Operational lease payment made to PTT by the Company in 2011 as part of the lease agreement (Note 9) amounts to TL 54.426 (2010– TL 49.121).

Compensation of key management personnel

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

	31 December 2011	31 December 2010
Short-term benefits	45.901	43.674
Long-term defined benefit plans	1.057	824
	46.958	44.498

Furthermore, OTMSC charged to the Company a management fee amounting to TL 14.619 and an expense fee for an amount of TL 139 for the year ended 31 December 2011 (2010 – TL12.948 and TL328), 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 US Dollar 8.500 for the three years.

Guarantees provided to related parties:

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

The Company has given guarantees to Cetel at the amount of Euro 8.000 as a financial support.

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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.

While determining fair value of minority put option liability as of 31 December 2011, it had been assumed that İş Bankası Group would exercise its option on 1 January 2015. The Company has estimated a value based discounted cash flows after 31 December 2014. The value determined as at 1 January 2015 is then discounted back to 31 December 2011. The fair value of the put option liability as at 31 December 2011 amounts to TL 558.251 (2010 – TL 525.894). In accordance with Group accounting policies, the change between fair values of minority put option liabilities as of 31 December 2011 and 2010 has been accounted in other reserves under equity.

In order to reflect the minority put option liability in the consolidated financial statements, the minority interest (after giving the effect of loss) as at 31 December 2011, amounting to negative TL 221.133 (2010 – TL 56.954), has been reclassified from equity to "minority put option liability" under long-term liabilities after appropriation of profit / loss to the minority interest for the year. The fair value of minority put option liability, has been determined as TL 558.251 (2010-TL 525.894), and the difference of TL 779.384 (2010-TL 582.848) is reflected in equity as "minority put option liability reserve", based on the Group's accounting policy for the acquisition of minority interest (Note 23).

12. Other receivables and payables

Other current assets

	31 December 2011	31 December 2010
Other current assets	85.548	33.117
Deposits and guarantees given	22.461	1.300
Other doubtful receivables	22.498	24.532
Allowance for other doubtful receivables	(22.498)	(24.532)
	108.009	34.417

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

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Other long term assets

As at 31 December 2011 Group's other long term receivables amount is TL 1.822 (2010 – TL 2.148).

Other current liabilities

	31 December 2011	31 December 2010
Payables to personnel	118.780	5.392
Taxes and duties payable	238.228	226.546
Social security premiums payable	59.879	30.623
Deposits and guarantees taken	189	161
Other payables	38.063	28.796
	455.139	291.518

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

Other non-current liabilities

	31 December 2011	31 December 2010
Deposits and guarantees taken	8.823	13.761
	8.823	13.761

13. Inventories

The Group has an inventory balance of TL 106.607 as at 31 December 2011 (2010-TL81.444). 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 and Pantel) arising from the tax losses carried forward based on the estimated taxable profits according to the business plan.

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As of 31 December 2011, deferred tax asset arising from tax losses of Pantel Group is amounting to TL 29.770 (2010-TL 19.419). Pantel's unrecognized deductible tax losses that will be utilized upon the existence of a tax base and the expiration dates are as follows:

Expiration years	31 December 2011
2012	598
2013	773
2014	1.125
2015	293
No expiry date	415
	3.204

As of 31 December 2011 and 2010, the deferred tax asset recognized for Avea's carried forward tax losses amounted to TL 245.000. Avea's unrecognized deductable tax losses that will be utilized upon the existence of a tax base and the expiration dates are as follows:

Expiration years	31 December 2011
2012	867.899
2013	757.126
2014	781.115
2015	194.446
2016	1.031.361
	3.631.947

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For the calculation of deferred tax asset and liability, a rate of 20% for the companies established in Turkey was used as at 31 December 2011 and 2010.

Deferred tax asset / liability	Base for deferred tax calculation 31 December 2011	Deferred tax assets / (liabilities) 31 December 2011	Base for deferred tax calculation 31 December 2010	Deferred tax assets / (liabilities) 31 December 2010
Temporary differences on property, plant and equipment	(2.140.085)	(434.269)	(2.228.748)	(452.287)
Income accruals	(210.366)	(42.073)	(198.785)	(39.757)
Other	(102.283)	(20.476)	(152.270)	(30.455)
	(2.452.734)	(496.818)	(2.579.803)	(522.499)
Deferred tax asset recognized from tax losses carried forward	1.354.613	273.835	1.316.117	264.027
Provision for long-term employee benefits	552.216	110.448	599.571	119.918
Provision for unused vacation	77.252	15.450	63.240	12.650
Expense accruals	81.862	16.372	58.930	11.786
Provision for doubtful receivables	215.181	43.012	201.090	40.208
Universal service fund and other contributions	108.137	21.627	125.790	25.158
Other	37.240	7.853	24.657	5.851
	2.426.501	488.597	2.389.395	479.598
Deferred tax liability, net		(8.221)		(42.901)
Deferred tax asset, net		261.692		258.650
Deferred tax liability, net		(269.913)		(301.551)

Deferred tax income / (expenses)	1 January-31 December 2011	1 January-31 December 2010
Temporary differences of property, plant and equipment	18.018	65.031
Tax losses carried forward	9.808	(959)
Provision for long-term employee benefits	(21.763)	(24.027)
Provision for unused vacation	2.800	(5.991)
Income accruals	(2.316)	(25.456)
Expense accruals	4.586	(11.639)
Provision for doubtful receivables	2.804	7.908
Universal service fund and other contributions	(3.531)	(535)
Currency translation differences	2.506	933
Other	11.981	(38.505)
Deferred tax (expense) / income	24.893	(33.240)

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

Movement of deferred tax liability	31 December 2011	31 December 2010
Opening balance, 1 January	(301.551)	(252.638)
Business combination effect	-	(32.971)
Currency translation differences	(2.506)	(210)
Actuarial gain	12.293	18.065
Reflected to period profit or loss	21.851	(33.797)
Closing balance	(269.913)	(301.551)

Movement of deferred tax asset	31 December 2011	31 December 2010
Opening balance, 1 January	258.650	245.125
Business combination effect	-	12.968
Reflected to period profit or loss	3.042	557
Closing balance	261.692	258.650

	1 January-31 December 2011	1 January-31 December 2010
Reflected to period profit or loss		
-Deferred tax liability (expense) / income	21.851	(46.765)
-Deferred tax asset income / (expense)	3.042	13.525
Deferred tax income (Note 31)	24.893	(33.240)

15. Other current and non-current assets

Other current assets

	31 December 2011	31 December 2010
Prepaid rent expense	86.664	68.830
Other prepaid expenses	138.770	133.158
Income accrual	400.241	347.996
Advances given	90.406	52.757
Intermediary services for collection	75.323	12.769
VAT and Special Communications Tax (SCT) receivable	49.927	30.992
Other current assets	3.374	9.461
	844.705	655.963

Prepaid rent expenses consist mainly of the prepaid rents paid for Avea's base stations.

Income accruals mainly consists of GSM and ADSL post-paid subscription income accruals and unbilled equipment sales income within the context of campaigns.

Advances given consist of advances for inventory, tangible and intangible assets purchases and advances given to personnel.

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Other non-current assets

	31 December 2011	31 December 2010
Prepaid rent expense	10.003	4.177
Income accruals	4.068	31.672
Other	19.940	21.832
	34.011	57.681

As of 31 December 2011 non-current income accruals include amounts related with equipment sales to subscribers under campaigns, which have not been invoiced yet and will be collected later than 1 year.

Other current liabilities

	31 December 2011	31 December 2010
Expense accruals (1)	371.839	296.352
Advances received (2)	170.744	214.901
Accrual for Universal Service Fund (3)	108.492	99.615
Deferred revenue (4)	77.880	109.070
Accrual for contribution to the ICTA	44.172	43.105
Accrual for the Treasury Share	43.405	35.236
Accrual for capital expenditures (5)	24.750	72.180
Other payables	15.526	7.723
	856.808	878.182

1) Expense accruals mainly result from provision for dealer commissions and interconnection provisions.
2) The Company acts as an intermediary of Ministry of Defence and North Atlantic Treaty Organization (NATO) projects by transferring advances received to the contractors and supports the management of the projects. Expenditures arising from the projects are deducted from the advances received at the date of the expenditure. Advances not used are held as time deposits and the interest earned is credited to the advances received in accordance with the agreement between the parties (Note 6).
3) 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.
4) Deferred revenue is composed of the invoiced but unconsumed minutes' sales value.
5) Capital expenditure accruals represent the unreceived invoices for the fixed asset purchases that have been received within the agreement.

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Other non-current liabilities

	31 December 2011	31 December 2010
Deferred income (*)	165.356	137.499
Advances taken (**)	86.064	69.278
Other	-	2.000
	251.420	208.777

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

16. Financial investments

Cetel

	31 December 2011	31 December 2010
Balance at 1 January	11.840	11.840
Balance at 31 December	11.840	11.840

As of 31 December 2011 and 2010, the Company carries Cetel at cost after deducting impairment losses, if any, because of the lack of timely financial information for equity accounting purposes and due to lack of significant influence.

17. Other financial investments and other financial liabilities

Cash flow hedges

Interest rate swaps

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

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

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 made as of 30 September 2009 amounting to US Dollar 621.297 and Euro 32.973. US Dollar and Euro denominated principal balances of MTPF have been wholly covered by this new interest rate hedging transaction.

As of 31 December 2010, notional amount that will be due till 30 September 2013 amounts to US Dollar 335.216 and Euro 20.068.

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.

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As of 31 December 2011, fair value of realized interest rate swap transactions amount to TL 35.118 (2010 – TL 72.358). As of 31 December 2011, the amount of TL 16.451 unrealized interest rate swap loss has been recognized under equity reserves. For the period ended 31 December 2011, realized interest rate swap loss amounting to TL 50.255 (2010 – TL 58.326) and unrealized interest rate swap loss amounting to TL 8.482 has been classified to consolidated income statements.

As the Amended and Restated Transaction resulted in a change in the hedge structure the effect of the old hedge (which leads to significant negative fair value of the hedge as of inception date-30 September 2009) and new hedge is separated and the effect of old hedge relating to outstanding borrowing after prepayment is followed up separately. The new hedge is found as effective as result of effectiveness test and fair value of the new hedge with an amount of TL 4.478 is continued to be recognized under other comprehensive income. The fair value of old hedge as of September 28, 2009, which being recognized under other comprehensive income, (US Dollar 31.8 million) will be amortized until 2015 which is the residual maturity of original hedge relationship. The unamortized portion of old hedge which is recognized under other comprehensive income amounts to TL 11.972. Accordingly the total unrealized loss recognized under other comprehensive income amounts to TL 16.451.

The Company has entered into a five-part interest rate swap transaction between 28 July 2010 and 3 August 2010 with a maturity date on 4 March 2015 and a total notional amount of US Dollar 223.125, in order to hedge a portion of its variable rate long term bank borrowings. Due to the results of the effectiveness test, unrealized interest rate swap gain amounting to TL 349 has been classified to consolidated income statement.

Hedge of net investment in a foreign operation

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

18. Goodwill

The movement of goodwill is as follows:

31 December 2009	49.172
Acquisition of Pantel	3.701
31 December 2010	52.873
Currency transaction effect	527
31 December 2011	53.400

Avea acquisition and goodwill related to Avea

The goodwill impairment test has been performed as of 31 December 2011, 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 TL 29.695 goodwill arising from the acquisition of Avea shares. The enterprise value used as a base for the impairment test has been calculated using cash flow projections from the business plan of Avea covering a five-year plan.

WACC used for the discount of cash flows for the period that Avea will pay income tax is 13,7% and 14.7% for non-taxable period. Cash flow beyond the ten years are extrapolated using a 0,35% growth rate for TL and US Dollar 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 at a sensitivity of-/+ 2%. As a result of the impairment testing, it has been noted that there is no impairment on goodwill arising on the Avea acquisition. The value in use projections are based on a discounted cash flow (DCF) study implemented until 2029.

Innova ve Argela ile ilgili şerefiye

As of 31 December 2011 the goodwill arising from acquisition of Innova and Argela amounted TL 11.097 and TL 7.943, respectively and goodwill impairment test have been performed based of the enterprise values of Innova and Argela. The estimated value of the projected cash flows consists of the discounted cash flows until 2016. The WACC rates used in valuation are 17,4% and 17,1% for Innova and Argela, respectively and valuation has been tested at a sensitivity of-/+ 2%. For the WACC calculation, technology companies have been taken as a benchmark for the calculation of the beta coefficient. As a result o the impairment test, no impairment, is noted for the goodwill arising from the acquisition of Argela and Innova.

Sobee acquisition

As of 31 December 2011 the goodwill arising from acquisition of Sobee amounts to TL 437 and the goodwill impairment test of Sobee have been performed based on the enterprise value of Sobee,. The estimated value of the projected cash flows consists of the discounted cash flows until 2016. The WACC rate used in valuation is 18,5% and valuation has been tested at a sensitivity of-/+ 2%. For the WACC calculation, technology companies have been taken as a benchmark for the calculation of the beta coefficient. As a result o the impairment test, no impairment, is noted for the goodwill arising from the acquisition of Sobee.

Pantel acquisition

As of 31 December 2011 the goodwill arising from acquisition of Pantel amounts to Euro 1.514 (equivalent to TL 3.701 as of 31 December 2011) and impairment test of goodwill have been performed based on the enterprise value of Pantel. The estimated value of the projected cash flows consists of the discounted cash flows until 2016. The WACC rate used in valuation is 12% and valuation has been tested at a sensitivity of-/+ 0.25 %. For the WACC calculation, technology companies have been taken as a benchmark for the calculation of the beta coefficient. As a result o the impairment test, no impairment, is noted for the goodwill arising from the acquisition of Pantel.

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19. Investment property

The movement of investment property and the related accumulated depreciation for the years ended 31 December 2011 and 2010 is given below:

	1 January- 31 December 2011	1 January- 31 December 2010
Cost		
Opening balance	384.481	384.981
Disposals	-	(500)
Closing balance	384.481	384.481
Accumulated depreciation and impairment		
Opening	110.245	93.980
Depreciation charge for the year	16.635	16.636
Disposal	-	(372)
Closing balance	126.880	110.244
Carrying amount	257.601	274.237

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 Group assesses whether there is any impairment indicator in investment properties. If such indicator exists the Group compares fair values and carrying values of the investment properties on an individual asset basis and records identified impairment of the investment properties. As of 31 December 2011 and 2010, the Group has assessed whether there is any indicator that there is impairment on investment property and following the test performed it has concluded that there is no impairment.

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

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20. Maddi duran varlıklar

The movement of PPE and the related accumulated depreciation for the years ended 31 December 2011 and 2010 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 2011	1.724.139	35.939.393	156.694	308.724	234.901	438.580	38.802.431
Transfers	(829)	3.512	(12)	697	822	(11.517)	(7.327)
Additions	67.477	1.347.044	6.365	77.113	42.854	324.681	1.865.534
Disposals	(45.112)	(91.139)	(5.441)	(2.944)	(6.302)	-	(150.938)
Currency translation differences	1.019	49.109	123	44	6	441	50.742
Closing balance, 31 December 2011	1.746.694	37.247.919	157.729	383.634	272.281	752.185	40.560.442
Opening balance, 1 January 2011	573.825	30.548.718	135.079	180.825	202.922	-	31.641.369
Disposals	(13.965)	(70.770)	(4.655)	(929)	(3.388)	-	(93.707)
Depreciation charge for the year	77.807	958.851	7.254	54.177	14.514	-	1.112.603
Transfers	157	(348)	-	(6.055)	6.246	-	-
Currency translation differences	(39)	1.602	(127)	(57)	(25)	-	1.354
Closing balance, 31 December 2011	637.785	31.438.053	137.551	227.961	220.269	-	32.661.619
Carrying amount at 31 December 2011	1.108.909	5.809.866	20.178	155.673	52.012	752.185	7.898.823

At 31 December 2011, 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 TL and the "Weighted Average Capital Cost" (WACC) rate used is 12,4%. For the periods beyond five years, no growth 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.

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.

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As of 31 December 2011, net book value of leased assets of Group is amounting to TL 47.743 (2010 – TL 42.307). There are no new leased assets for the year ended 31 December 2011. 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 Indebtless commercial of Avea up to a maximum amount of TL 1.000.000.

	Land and buildings	Network and other equipment	Vehicles	Furniture and fixtures	Other fixed assets	Construction in progress	Total
Cost							
Opening balance, 1 January 2010	1.659.385	34.561.813	151.757	236.491	233.273	433.080	37.275.799
Transfers	10.682	124.707	-	1.024	(17.299)	(121.373)	(2.259)
Additions	68.691	1.029.691	7.095	73.545	25.050	131.516	1.335.588
Addition due to acquisition of a subsidiary	5.753	334.315	1.795	929	11	12.185	354.988
Disposals	(20.575)	(120.560)	(3.996)	(3.285)	(6.140)	(15.591)	(170.147)
Currency translation difference	203	9.427	43	20	7	(1.237)	8.463
Closing balance, 31 December 2010	1.724.139	35.939.393	156.694	308.724	234.902	438.580	38.802.432
Opening balance, 1 January 2010	508.075	29.673.685	133.826	142.112	188.773	-	30.646.471
Disposals	(3.760)	(108.393)	(3.926)	(424)	(4.203)	-	(120.706)
Depreciation charge for the year	69.508	979.935	5.171	38.883	19.446	-	1.112.943
Transfers	(1)	3.127	-	251	(1.094)	-	2.283
Current translation difference	3	364	8	3	-	-	378
Closing balance, 31 December 2010	573.825	30.548.718	135.079	180.825	202.922	-	31.641.369
Carrying amount at 31 December 2010	1.150.314	5.390.675	21.615	127.899	31.980	438.580	7.161.063

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

21. Intangible assets

	License	Customer relationships	Brand	Other intangible assets	Concession right	Total
Cost						
Opening balance, 1 January 2011	1.477.929	987.892	302.540	1.284.675	980.994	5.034.030
Transfers (Note 20)	203	-	-	14.296	-	14.499
Disposals	-	-	-	(938)	-	(938)
Additions (*)	-	-	-	287.895	140.297	428.192
Currency translation difference	13	14.360	-	22.428	-	36.801
Closing balance, 31 December 2011	1.478.145	1.002.252	302.540	1.608.356	1.121.291	5.512.584
Accumulated amortization						
Opening balance, 1 January 2011	258.382	378.106	66.979	662.761	151.014	1.517.242
Disposals	-	-	-	(565)	-	(565)
Transfers	-	-	-	2.362	-	2.362
Amortization charge for the year	76.152	95.380	15.607	214.735	50.315	452.189
Currency translation difference	(13)	571	-	884	-	1.442
Closing balance, 31 December 2011	334.521	474.057	82.586	880.177	201.329	1.972.670
Carrying amount at 31 December 2011	1.143.624	528.195	219.954	728.179	919.962	3.539.914

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	License	Customer relationships	Brand	Other intangible assets	Concession right	Total
Cost						
Opening balance, 1 January 2010	1.477.929	879.377	302.379	908.381	840.239	4.408.305
Transfers (Note 20)	-	3.504	161	2.373	-	6.038
Disposals	-	-	-	(6.371)	-	(6.371)
Additions (*)	-	-	-	256.932	140.755	397.687
Additions due to acquisition of subsidiary	-	101.228	-	117.713	-	218.941
Currency translation difference	-	3.783	-	5.647	-	9.430
Closing balance, 31 December 2010	1.477.929	987.892	302.540	1.284.675	980.994	5.034.030
Accumulated amortization						
Opening balance, 1 January 2010	182.290	287.308	51.373	495.638	105.256	1.121.865
Disposals	-	-	-	(194)	-	(194)
Transfers		978	-	518	-	1.496
Amortization charge for the year	76.092	89.760	15.606	166.743	45.758	393.959
Currency translation difference	-	60	-	56	-	116
Closing balance, 31 December 2010	258.382	378.106	66.979	662.761	151.014	1.517.242
Carrying amount at 31 December 2010	1.219.547	609.786	235.561	621.914	829.980	3.516.788

(*) Additions amounting to TL 140.297 (2010 – TL 140.755) comprise intangible assets under scope of IFRIC 12.

As of 31 December 2011 and 2010, the Group performed impairment test on intangible assets and it has been concluded that there is no impairment.

Remaining amortization periods of significant intangible assets are as follows:

Avea License	14,1 years
Avea customer relationships	4,8 year
Avea brand name	14,1 years
Pantel customer relationships	13,8 years
Pantel other	18,8 years

There is no restriction or pledge on the intangible assets except for the Avea brand as at 31 December 2011.

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3G License Tender

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

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

The net book value of the 3G license as at 31 December 2011 is TL 415.131 (2010 – TL438.854).

GSM 900 Additional Frequency Band Tender

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

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

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

The net book value of the GSM 900 band license as at 31 December 2011 is TL 9.964 (2010 – TL10.671).

22. Provisions

a) Short term provisions

The breakdown of provisions as at 31 December 2011 and 2010 is as follows:

	31 December 2011	31 December 2010
Litigation provision	155.670	210.065
Unused vacation	84.256	72.271
Others	-	60
	239.926	282.396

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The movement of provisions is as follows:

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

	Litigation provision	Unused vacation provision	Other
Provisions at 1 January 2010	147.609	100.648	338
Settled provisions	(4.333)	(21.214)	(338)
Provisions for the period	90.485	17.062	60
Reversals	(26.125)	(24.878)	-
Effect of business combinations	2.337	615	-
Foreign currency translation difference	92	38	-
Provisions at 31 December 2010	210.065	72.271	60

b) Long term provisions

	31 December 2011	31 December 2010
Provision for the investments under the scope of IFRIC 12	11.518	9.329
	11.518	9.329

c) Long-term employee benefits

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

The retirement pay liability as at 31 December 2011 is subject to a ceiling of full TL 2.731,85 (2010 – full TL 2.517) per monthly salary for each service year.

The number of personnel as at 31 December 2011 and 2010 were 34.886 and 34.138, respectively.

In addition to retirement benefits, the Company was liable for certain other long-term employment benefits, job and representation indemnity and jubilee awards.

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After the privatization retirement benefits of civil servants working with the Company have been changed with a new law and this change resulted in past service cost Past service cost in relation to prior years that is not recognized and will be amortized within one year, which is the expected period over which benefits become vested amounts to TL 7.703.

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. 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. However, some other employees have used the extension of five years and transferred to other state enterprises before 31 December 2011, which was the end of this extension. 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 2011 and 2010. 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 2011	1 January- 31 December 2010
Defined benefit obligation at January 1	622.859	658.755
Current service cost	33.530	36.067
Interest cost	58.680	62.639
Actuarial (loss)/gain (*)	63.541	91.336
Benefits paid by the Group	(208.269)	(137.672)
Transfers-net (employees transferred to state enterprises) (Note 29)	-	(88.657)
Effect of business combinations	-	376
Foreign currency translation difference	(43)	15
Provisions as at 31 December	570.298	622.859

(*) As at 31 December 2011, actuarial gain amounting to TL 63.541(2010 – TL 91.336) has been reflected to other comprehensive income.

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

	31 December 2011	31 December 2010
Present value of defined benefit obligations	570.298	622.859
Unrecognized past service cost	(7.703)	(16.253)
Net liability recognized in the balance sheet	562.595	606.606

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

	1 January-31 December 2011	1 January-31 December 2010
Current service cost	33.530	36.067
Interest cost	58.680	62.639
Past service cost	8.550	9.481
Total net cost recognized in the consolidated statement of income	100.760	108.187
Settlement gain recognized (Note 29)	-	(88.657)
Total net income recognized in the consolidated statement of income	-	(88.657)

v) Principal actuarial assumptions use:

	31 December 2011	31 December 2010
Discount rate	10%	10%
Expected rate of ceiling increases	5.1%	5.1%

The average voluntary withdrawal rate for the next year for the remaining employees is estimated to be 3% (2010-3%).

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

As of 31 December 2011 and 2010, the shareholders of the Company with their shareholding percentage are as follows:

	31 December 2011		31 December 2010	
	%	TL	%	TL
The Treasury	30	1.050.000	30	1.050.000
OTAŞ	55	1.925.000	55	1.925.000
Public share	15	525.000	15	525.000
		3.500.000		3.500.000
Inflation adjustment to share capital		(239.752)		(239.752)
		3.260.248		3.260.248

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

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

As of 31 December 2011, 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.

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

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

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

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 2011 consolidated net income has been compared with its 2011 statutory net income and after appropriation of first legal reserve, TL 2.068.676was determined as an amount available for dividend distribution.

Dividends

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

During the year ended 31 December 2010, remaining balance of 2009 distributable profit after assigning first and second legal reserves, which amounted to TL 1.589.712 (a dividend of full kuruş 0,4542 per share) has been committed to be distributed and distributed in cash to the shareholders.

Other reserves

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

	31 December 2011	31 December 2010
Minority put option liability reserve (Note 11)	(779.383)	(582.848)
Share based payment reserve (Note 24)	9.528	9.528
Difference arising from acquisition of subsidiary	(308.634)	(308.634)
Reserve for hedge of net investment in a foreign operation	(37.976)	(925)
Cash flow hedge reserve	(13.386)	(36.786)
Actuarial loss arising from employee (Note 22)	(252.745)	(201.884)
	(1.382.596)	(1.121.549)

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Difference arising from acquisition of subsidiary

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 of 15 September 2006 for the purpose of the purchase price allocation. The result of the re-measurement amounting to TL 294.065 has been reflected as "Fair value difference arising from acquisition of subsidiary" in equity.During 2009, the Company has increased its ownership within Avea with a rate of 0.19% and the difference in minority interest, TL 14.569, has been reflected under difference arising from acquisition of subsidiary" in equity.

Reserve for hedge of net investment in a foreign operation

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

Cash flow hedge reserve

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

Minority interest

The minority interest represents 18,63% shareholding of İş Bank Group in Avea as at 31 December 2011. As of 31 December 2011, minority interests are classified to other non-current liabilities and are remeasured at fair values based on the Group's accounting policy applied during the accounting of minority put option. The movement of minority interest is as follows:

As of 31 December 2009	-
Reclassification to minority interest	54.354
Share of loss generated between 1 January 2009 – 31 December 2009	(122.434)
Minority interest share in unrealized gain on derivative financial instruments recognized under equity	11.339
Minority interest share in actuarial gain / (loss) recognized under equity	(213)
Reclassification to other non-current liabilities (Note 11)	56.954
As of 31 December 2010	-
Reclassification to minority interest	56.954
Share of loss generated between 1 January 2010 – 31 December 2010	(169.150)
Minority interest share in unrealized gain on derivative financial instruments recognized under equity	5.358
Minority interest share in actuarial gain / (loss) recognized under equity	(387)
Reclassification to other non-current liabilities (Note 11)	221.133
As of 31 December 2011	-

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

	1 January – 31 December 2011	1 January – 31 December 2010
Weighted average number of ordinary shares outstanding during the year	350.000.000.000	350.000.000.000
Net profit for the year attributable to equity holders of the Company	2.068.676	2.450.857
Basic and earnings per share (in full kuruş)	0,5911	0,7002

24. 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 5.220.503.800 shares allocated to domestic investors with high purchasing power with discounted price varying according to the payment terms and application date (compared to the price applied to the other corporate investors for the remaining shares of 34.980.335.900. The discounts provided to Türk Telekom employees have been considered as within the scope of IFRS 2 ("Share Based Payment") by the management of Türk Telekom considering the fact that Türk Telekom receives services from its employees. The Group has reflected the fair value of the discounts provided to Türk Telekom employees, amounting to TL 9.528, as an expense in the consolidated income statement for year ended 31 December 2008 and credited the same amount into the equity as a share based payment reserve.

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

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

a) Türk Telekom has not received any benefits (goods and services) in exchange for the discounts provided these groups to and

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

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

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25. Commitments and contingencies

Guarantees received and given by the Group are summarized below:

		31 December 2011		31 December 2010	
		Original currency	TL	Original currency	TL
Guarantees received	US Dollar	230.191	434.808	239.378	370.078
	TL	707.501	707.501	582.650	582.650
	Euro	85.316	208.495	86.618	177.489
	Sterling	8	23	64	152
			1.350.827		1.130.369
Guarantees given (*)	US Dollar	153.539	290.020	152.265	235.402
	TL	187.042	187.042	156.465	156.465
	Euro	16.429	40.149	17.359	35.570
	Sterling	115	65		
			517.276		427.437

(*) US Dollar 151.500 of the amount (2010 – US Dollar 151.500) is related with the guarantee provided to the ICTA by Avea with respect to the Avea Concession Agreement and Euro 12.840 is related with the guarantee provided for 3G (2010 – Euro 12.840) license.

The Company's guarantee, pledge and mortgage (GPM) position as at 31 December 2011 and 2010is as follows:

GPMs given by the Company	31 December 2011	31 December 2010
A. GPMs given on behalf of the Company's legal personality	2.055.556	2.081.215
B. GPMs given in favor of subsidiaries included in full consolidation	1.624.730	1.243.293
C. GPMS given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	5.646	18.375
D. Other GPMs	19.550	16.644
i. GPMs given in favor of parent company	-	251
ii. GPMs given in favor of Company companies not in the scope of B and C above	19.550	16.393
iii. GPMs given in favor of third party companies not in the scope of C above	-	-
Total	3.705.482	3.359.527

GPMs given by the Group as at 31 December 2011 are equivalent to 0,34% of the Company's equity (31 December 2010 – 0,27%).

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Other commitments

The Group has purchase commitments for sponsorships and advertising services at the amount of 107.075 US Dollar and 89 Euro, equivalent to TL 202.469 (31 December 2010 – TL 273.443) as at 31 December 2011. Payments for these commitments are going to be made in an 11-year period.

Türk Telekom concession agreement

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

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

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

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

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

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

Avea concession agreement

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

The Avea concession agreement covers the establishment, development and operation of a GSM 1800 network 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.

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

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

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

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

The Avea Concession Agreement provides that the license fees were paid at the time of issuance of the original agreement.

Avea provided a performance bond in the amount of US Dollar 151.500. Avea, additional to that bond, provided performance bond amounting TL 760.320 corresponding to 6% of bidding amount after GSM 900 Additional Frequency Band bidding by ICTA on 20 June 2008.

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

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

Fund payable to the Treasury

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

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Contribution share to the ICTA

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

Coverage area

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

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

Service offerings

Avea agrees and undertakes to provide the services specified within the frame of GSM 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.

Service quality

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

Tariffs

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

Emergencies

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

Investment plans

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

National roaming

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

Suspension of operations

If deemed necessary for public security and national 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.

Termination of the agreement by the ICTA

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

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

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

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

Insurance

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

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3G License authorization

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

According to this Agreement;

•Avea shall keep at least 2 units of IMT-2000/UMTS mobile base stations to be used in emergency situations under the request of the Ministry of Transport and Communication.

•Within the first 5 years by the signature of the Agreement, Avea shall obtain the approval of the ICTA for each assignment of Avea shares in ratio exceeding 10% to persons and entities other than the current shareholders and subsidiaries of the current shareholders. Any type of share assignment leading a change in the control of Avea shall be subject to the approval of the ICTA.

•Avea has granted a bank letter of guarantee amounting to Euro 12.840 which is 6% of the license fee, for to act as final guarantee. Should the Avea is understood to not perform its contractual obligations; ICTA shall record and confiscate the final guarantee as income. In such confiscation of final guarantee as income is realized, Avea shall grant new final guarantee within 30 days. Should the new final guarantee not granted within the said period, the Agreement might be terminated.

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

•Avea 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.

•Avea is required to pay the ICTA 0,35% of its annual revenue, as a contribution towards the ICTA's expenses.

Coverage Area Obligations:

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

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

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

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

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

If there is any delay in fulfilment 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 fulfilment of the coverage area obligations for a period of more than two years, then the Agreement might be terminated by the ICTA.

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

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

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

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

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

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

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

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

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

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

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.

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Termination of the Agreement by ICTA:

The Authority might terminate the Agreement for the following reasons;

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

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

Legal proceedings of Türk Telekom

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

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 TL 49.671 as at 31 December 2011 (2010 – TL 28.844) in the consolidated financial statements.

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 TL 450.931 to the Company. In the hearing of the lawsuit dated 5 November 2009, the 7th Commercial Court of First Instance of Ankara decided unanimously in favor of the Company and partially accepted the Company's claims.

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

Both parties appealed against this decision of the first instance court. In the appellate review, both the 11th and 13th Civil Chambers of the Supreme Court rendered lack of jurisdiction decisions for their Chambers. For this reason, the case is forwarded to the Civil Chambers Presidents Council, for them to designate the competent Chamber. The Council has designated 19th Civil Chamber as competent by its decision dated 23 September 2010, numbered E:2010/740 and K:2010/900. The 19th Chamber announced its decision No: 2010/11229-2011/4716 on 11 April 2011 and with the decision taken by the Supreme Court of Appeals as a result of the appellate review, it was approved that Türk Telekom is right, stating that Turkcell violated the Company's monopoly right and this is against law and the interconnection agreement between Turkcell and Türk Telekom.

In addition, it was stated in the Court decision that the objections by both parties against the expert reports regarding the calculation of compensation and objections to the first instance court are not fully responded and covered thereby and therefore it is decided that the file will be returned to first instance court in order to enable an expert calculation which is in line with Court review. Turkcell on 11 March 2011 and Türk Telekom on 25 March 2011 applied to "revision of decision" mechanism against the aforementioned Supreme Court of Appeals decision. By the decision of 19th Chamber of Supreme Court, dated October 3, 2011 and numbered E.2011/8668 and K.2011/11802, appeal demand of both parties has been rejected. In the decision of 19th Chamber of Supreme Court related to appeal demand, Supreme Court has exactly resolved as Turk Telekom is justified about lawsuit and indicated that only it is necessary, first degree court should make decision by having a re-calculation in the case of indemnification. Thus, the case is again returned to Ankara 7th Commercial Court. The next court hearing will take place at 14 March 2012.

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

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 TL 20.327 (2010-TL13.908) has been provided in the consolidated financial statements for the ongoing cases.

Disputes between the Company and Istanbul Metropolitan Municipality

Total amount filed against the Company by Istanbul Metropolitan Municipality as contribution to the infrastructure investment and municipality share is TL 28.091. A cumulative provision amounting to TL 58.696 (2010 – TL 58.696) including the nominal amount and legal interest charges has been reflected to consolidated financial statements as at 31 December 2011.

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Monetary penalties of Ministry of Finance and benefit from law numbered 6111

The Company's 2005, 2006, 2007 and 2008 financial periods have been under investigation by Ministry of Finance General Directorate of Revenue and on 13 September 2010 tax inspection report has been notified to the Company. Based on the inspection report, there were three issues identified by the inspectors: i) incorrect withholding tax computed on dividend distribution for the years 2005 and 2006; ii) incomplete declaration of VAT over roaming invoices, and iii) inaccurate deduction of VAT amounts computed over the donations made to the Ministry of Education.

During 2011, the Company management decided to apply to the tax office to use advantages of law number 6111 (referred to as the "Tax Amnesty law") in order to settle its obligations in relation to this inspection report. After negotiations with the tax office, on 30 June 2011, the Company has paid TL 22.064, including interest and settled the dispute with the tax office.

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 depending on the Law No. 4077 (Protection of the Consumer Rights) and relevant regulations. The audit was concluded in 2009 and Avea penalized an administrative monetary fine of TL 51.335 related with the Article 9/A and 11/A of the Law on Protection of the Consumer Rights.

Avea initiated a lawsuit on 9 October 2009 for cease execution and annulment of the administrative monetary fine.

Regional Administrative Court rejected the application and the official notice delivered to Avea. On15 July 2010, trial was made, the law suit was accepted and the transaction was cancelled based on the decision declared at 6 October 2010. The decision was appealed by Ministry of Customs and Trade and appeal demand was rejected by the Court since it was not appealed in the time allowed. The Ministry appealed against this rejection and the case still continues at the Council of State. Therefore, as of 31.12.2011, the management of Avea decided to not to record allowance for the punishment related to law suit.

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Monetary penalties to Avea by Ministry of Finance and penalty provisions

In relation to ongoing lawsuits for VAT, SCT and reversed charged VAT over international roaming services and SCT on discounts and for the years out of the investigation period, a provision of TL 4.717 (2010 – TL 4.856) has been recognized 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' assessments. The provision for such court cases is amounting to TL 42.587 as at 31 December 2011 (2010 – TL41.326) (Note 22). 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.

26. Events after the balance sheet date

None.

27. Operating expenses (including cost of sales)

	1 January – 31 December 2011	1 January – 31 December 2010
Cost of sales (-)	(5.279.179)	(4.977.441)
Marketing, sales and distribution expenses (-)	(1.906.793)	(1.519.529)
General administrative expenses (-)	(1.568.499)	(1.443.765)
Research and development expenses (-)	(27.054)	(22.929)
	(8.781.525)	(7.963.664)

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28. Operating expenses (based on their nature)

	1 January– 31 December 2011	1 January– 31 December 2010
Personnel expenses	(2.068.258)	(1.844.215)
Repair and maintenance expenses	(404.228)	(388.907)
Domestic interconnection	(617.956)	(523.938)
Taxes	(792.822)	(710.454)
Commission expenses	(486.718)	(457.190)
Advertisement expenses	(488.439)	(402.014)
Rent expenses	(347.618)	(313.568)
International interconnection	(300.692)	(157.979)
Utilities	(272.682)	(287.030)
Doubtful receivable expenses	(230.268)	(277.057)
Promotion expenses	(225.200)	(119.852)
Outsourced services	(174.802)	(159.026)
Bill distribution expenses	(158.040)	(144.503)
IFRIC 12 expenses	(126.346)	(126.752)
Court expert expenses	(42.920)	(59.698)
Consulting expenses	(39.276)	(54.637)
Vehicle expenses	(33.382)	(26.001)
Satellite expenses	(14.451)	(13.001)
Insurance expenses	(13.766)	(15.060)
Stationary expenses	(9.693)	(8.072)
Other expenses	(357.438)	(351.172)
Total operating expenses (excluding depreciation and amortization expense)	(7.204.995)	(6.440.126)
Depreciation, amortization and impairment	(1.576.530)	(1.523.538)
Total operating expenses	(8.781.525)	(7.963.664)

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29. Other operating income / (expenses)

	1 January– 31 December 2011	1 January– 31 December 2010
Curtailment and settlement gain	-	88.657
Income from litigation	26.660	26.125
Income on release of bad debt provision (Note 8)	233.940	185.691
Indemnity income	40.704	64.098
Gain on scrap sales	35.967	22.647
Gain on fixed asset sales	28.410	30.698
Commissions income	6.413	5.901
Other	95.445	97.247
Other operating income	467.539	521.064
Litigation provision expense	(57.025)	(57.652)
Loss on fixed asset sales	(22.719)	(4.358)
Special Consumption Tax and other expenses	(3.176)	(8.371)
Other	(43.142)	(28.323)
Other operating expense (-)	(126.062)	(98.704)

30. Financial income / (expense)

	1 January– 31 December 2011	1 January– 31 December 2010
Interest expense	(237.609)	(229.230)
Foreign exchange losses	(871.351)	(168.839)
Loss on derivative instruments	(68.035)	(112.697)
Other	(110.134)	(97.799)
Financial expense	(1.287.129)	(608.565)
Interest income on bank deposits and delay charges	208.801	219.338
Foreign exchange gains	142.701	183.466
Gain on derivative instruments	11.882	10.412
Other	32.337	11.189
Financial income	395.721	424.405
Financial (expense) net	(891.408)	(184.160)

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31. Taxation on income

	31 December 2011	31 December 2010
Corporate tax payable:		
Current tax provision	718.629	767.272
Prepaid taxes and funds (-)	(547.754)	(624.867)
Taxes payable	170.875	142.405

	1 January – 31 December 2011	1 January – 31 December 2010
Tax expense:		
Current income tax expense	(718.629)	(765.343)
Adjustments in respect of current income tax of previous year	(15.837)	-
Deferred income tax credit/(expense) (Note 14)	24.893	(33.240)
	(709.573)	(798.583)

As of 31 December 2011, deferred tax amounting to TL 21.787 (2010 – TL 18.065) were recognized in the consolidated statement of comprehensive income.

The Company and its subsidiaries located in Turkey is subject to taxation in accordance with the tax regulations and the legislation effective in Turkey where the Group companies operate. In Turkey, the corporation tax rate is 20% (2010 – 20%). Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one instalment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% (2010 – 20%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

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

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

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

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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.

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

	1 January – 31 December 2011	1 January – 31 December 2010
Profit before tax	2.609.099	3.127.006
Tax at the corporate tax rate of 20%	521.820	625.401
Tax effects of:		
-expenses that are not deductible in determining taxable profit	36.557	29.547
-tax rate difference of subsidiaries	(1.639)	(194)
-deferred tax asset recognized from tax losses carried forward by subsidiaries	(746)	(959)
-adjustments and tax losses of subsidiaries not subject to deferred tax	153.581	144.788
Tax expense for the year	709.573	798.583

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 2011 investment allowances amount to TL 4.924.722 (31 December 2010-TL 4.451.084) (Note 25).

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

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

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32. Financial risk management objectives and policies

Credit risk

As of 31 December 2011	Receivables					
	Trade receivables		Other receivables			
	Related parties	Third parties	Related parties	Third parties	Deposits at banks	Other
Maximum credit risk exposed to as at 31 December 2011 (A+B+C+D+E)	14.880	2.061.891	-	109.831	975.051	404.309
-Guaranteed portion of the maximum risk (*)	-	66.985	-	-	-	-
A. Carrying amount of financial assets not overdue or not impaired	14.880	1.243.107	-	109.831	975.051	404.309
B. Carrying amount of financial assets with rediscussed conditions, that are considered overdue or impaired if not rediscussed	-	-	-	-	-	-
C. Carrying amount of financial assets overdue but not impaired	-	792.459	-	-	-	-
-Amount secured via guarantees	-	-	-	-	-	-
D. Carrying amount of assets impaired	-	-	-	-	-	-
-Overdue (gross book value)	-	1.312.949	-	22.498	-	-
-Impairment (-)	-	(1.312.949)	-	(22.498)	-	-
E. Off balance sheet items with credit risk	-	-	-	-	-	-

(*) Consists of Avea's guarantee receivables from its dealers

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As of 31 December 2010	Receivables					
	Trade receivables		Other receivables			
	Related parties	Third parties	Related parties	Third parties	Deposits at banks	Other
Maximum credit risk exposed to as at 31 December 2010 (A+B+C+D+E)	21.407	1.748.917	-	34.417	1.217.548	380.630
-Guaranteed portion of the maximum risk	-	22.541	-	-	-	-
A. Carrying amount of financial assets not overdue or not impaired	21.407	1.089.420	-	34.417	1.217.548	380.630
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	-	572.873	-	-	-	-
-Amount secured via guarantees	-	-	-	-	-	-
D. Carrying amount of assets impaired	-	-	-	-	-	-
-Overdue (gross book value)	-	1.317.070	-	24.532	-	-
-Impairment (-)	-	(1.317.070)	-	(24.532)	-	-
E. Off balance sheet items with credit risk	-	-	-	-	-	-

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

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

As of 31 December 2011, there is no significant credit risk of Company. The maximum credit risk Company exposure is reflected by presenting all financial assets from carrying amount on consolidated balance sheet.

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Liquidity risk

Liquidity risk is uncertainty to cover future financial obligations.

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

The Group manages current and long-term funding 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 2011 and 2010 based on contractual undiscounted payments (including interest payments not due yet).

Contract based maturities as at 31 December 2011	Book value	Total contract based cash outflow (=I+II+III+IV)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 Years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Financial liabilities	5.310.362	5.620.762	1.261.381	1.154.186	2.649.252	555.944
Obligations under finance leases	35.798	40.870	1.564	7.393	31.913	-
Trade payables	1.632.888	1.644.781	1.444.649	92.040	108.092	-
Other payables	530.896	530.896	530.896	-	-	-
Related parties	5.602	5.602	5.602	-	-	-
Minority put option liability (Note 11)	558.251	815.375	-	-	815.375	-
Derivative financial liabilities (net)	35.118	33.540	17.451	10.923	4.072	1.111

Contract based maturities as at 31 December 2010	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	4.164.035	4.348.328	1.026.734	921.650	2.214.727	185.217
Obligations under finance leases	35.354	41.049	1.263	6.250	28.613	4.921
Trade payables	1.320.627	1.320.627	1.318.375	1.305	947	-
Other payables	383.646	383.646	381.646	-	2.000	-
Related parties	4.239	4.239	4.239	-	-	-
Minority put option liability (Note 11)	525.894	841.108	-	-	841.108	-
Derivative financial liabilities (net)	73.790	74.341	25.549	21.876	26.915	-

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Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

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

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

Fair value hierarchy table as at 31 December 2010 is as follows:

Financial assets at fair value through profit or loss:	Level 1	Level 2	Level 3
Swap transactions	-	202	-
Forward transactions	-	3.383	-
Financial liabilities at fair value through profit or loss:			
Swap transactions	-	72.376	-
Forward transactions	-	1.414	-
Minority put option liability (Note 11)	-	-	525.894

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Foreign currency risk

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

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

As of 31 December 2011	Profit/Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Appreciation of US Dollar against TL at 1%:		
1-US Dollar net asset/liability	(24.783)	24.783
2-Portion protected from US Dollar risk (-)	-	-
3-US Dollar net effect (1+2)	(24.783)	24.783
Appreciation of Euro against TL at 1%:		
4-Euro net asset/liability	(26.663)	26.663
5-Portion protected from Euro risk (-)	-	-
6-Euro net effect (4+5)	(26.663)	26.663
Appreciation of other foreign currencies against TL at 1%:		
7-Other foreign currency net asset/liability	(61)	61
8-Portion protected from other foreign currency (-)	-	-
9-Other foreign currency net effect (7+8)	(61)	61
Total (3+6+9)	(55.587)	55.587

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As of 31 December 2010	Profit/Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Appreciation of US Dollar against TL at 1%:		
1-US Dollar net asset/liability	(18.904)	18.904
2-Portion protected from US Dollar risk (-)	-	-
3-US Dollar net effect (1+2)	(18.904)	18.904
Appreciation of Euro against TL at 1%:		
4-Euro net asset/liability	(16.857)	16.857
5-Portion protected from Euro risk (-)	-	-
6-Euro net effect (4+5)	(16.857)	16.857
Appreciation of other foreign currencies against TL at 1%:		
7-Other foreign currency net asset/liability	(2)	2
8-Portion protected from other foreign currency (-)	-	-
9-Other foreign currency net effect (7+8)	(2)	2
Total (3+6+9)	(35.763)	35.763

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	31 December 2011					31 December 2010				
	TL equivalent	US Dollar	Euro	GBP	Other	TL equivalent	US Dollar	Euro	GBP	Other
1. Trade receivables	183.181	41.827	42.294	-	1.612	515.749	299.388	25.814	-	-
2a. Monetary financial assets (Cash and banks accounts included)	360.911	164.763	20.321	10	-	440.450	178.209	80.462	27	-
2b. Non-monetary financial assets	-	-	-	-	-	40	-	-	-	27
3. Other	15.966	4.669	2.920	-	21	49.420	27.247	3.426	99	27
4. Current assets (1+2+3)	560.058	211.259	65.535	10	1.633	1.005.659	504.844	109.702	126	54
5. Trade receivables	2.763	1.399	3	-	222	8	4	1	-	-
6a. Monetary financial assets	-	-	-	-	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
7. Other	13	2	5	-	-	-	-	4	-	-
8. Non-current assets (5+6+7)	2.776	1.401	8	-	222	8	4	5	-	-
9. Total assets (4+8)	562.834	212.660	65.543	10	1.855	1.005.667	504.848	109.707	126	54
10. Trade payables	765.914	230.341	135.014	180	597	591.135	179.230	153.129	105	12
11. Financial liabilities	1.577.071	470.317	280.221	1.332	-	1.131.475	471.709	196.287	-	-
12a. Monetary other liabilities	165.081	34.885	39.806	655	852	63.495	15.570	19.239	-	-
12b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-
13. Short-term liabilities (10+11+12)	2.508.066	735.543	455.041	2.167	1.449	1.786.105	666.509	368.655	105	12
14. Trade payables	3.392	3.373	19.934	-	-	-	-	-	-	-
15. Financial liabilities	3.047.958	781.096	643.484	-	-	2.668.028	1.027.942	526.490	-	-
16 a. Monetary other liabilities	86.060	-	35.216	-	-	78.459	5.941	33.807	-	-
16 b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-
17. Long-term liabilities (14+15+16)	3.137.410	784.469	698.634	-	-	2.746.487	1.033.883	560.297	-	-
18. Total liabilities (13+17)	5.645.476	1.520.012	1.153.675	2.167	1.449	4.532.592	1.700.392	928.952	105	12
19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b)	-	-	-	-	-	-	-	-	-	-
19a. Total asset amount hedged	-	-	-	-	-	-	-	-	-	-
19b. Total liability amount hedged	-	-	-	-	-	-	-	-	-	-
20. Net foreign currency asset/(liability) position (9-18+19)	(5.082.642)	(1.307.352)	(1.088.132)	(2.157)	406	(3.526.925)	(1.195.544)	(819.245)	21	42
21. Net asset/(liability) position of foreign currency monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(5.098.621)	(1.312.023)	(1.091.057)	(2.157)	385	(3.576.385)	(1.222.791)	(822.675)	(78)	(12)
22. Fair value of FX swap financial instruments	-	-	-	-	-	-	-	-	-	-

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

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 summarized 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 2011	31 December 2010
Financial instruments with fixed interest rate		
Financial liabilities	1.520.419	1.207.608
Financial instruments with variable interest rate		
Financial liabilities	3.789.943	2.956.426

If the base point of denominated interest rates for financial instruments with variable interest rate was higher/lower 0,25%, with all other variables held constant, the Group's income before tax and minority interest would be lower/higher TL 9.475 as of 31 December 2011. (31 December 2010 – TL 7.391)

On the other side because of hedging, if the base point of interest rate higher/lower 0.25%, equity would be higher/lower TL 785 (31 December 2010 – TL 2.259).

The Group is subject to interest risk due to financial liabilities and finance lease obligations. In order to cover for these risks, the Group has entered into interest rate swaps. The carrying amount and the maturities of these financial instruments have been presented above. (Note 17)

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements
for the year ended 31 December 2011

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

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	978.676	1.219.007	978.676	1.219.007
Trade and other receivables (including related parties)	2.186.602	1.806.889	2.186.602	1.806.889
Other current and non-current assets	405.565	421.831	405.565	421.831
Other financial investments	11.840	11.840	(*)	(*)
Financial liabilities				
Financial liabilities	5.310.362	4.164.035	5.307.258	4.170.459
Financial leasing liabilities	35.798	35.354	35.798	35.354
Trade and other payables	2.102.452	1.696.947	2.102.452	1.696.947
Other current and non-current liabilities	608.185	556.211	608.185	556.211
Other financial liabilities	558.251	525.894	558.251	525.894
Derivative financial liabilities	35.118	73.790	35.118	73.790

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

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 2011 and 2010.

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