

WE HAVE UNLIMITED ENERGY
AND BOUNDLESS POWER
TO MAKE LIFE EASIER



Contents

02	Chairman's Statement
04	CEO's Statement
08	Board of Directors, Board of Auditors, Executive Committee, Audit Committee and Senior Management
16	Türk Telekom in 2009; Key Highlights
20	More Synergy, More Value: Türk Telekom Group Companies
24	Turkey's Most Valuable Brand in 2009: Türk Telekom
28	The Corporate Value that Sustains Success: Social Responsibility
36	The Secret to the Most Valuable Brand: New Products and Services of Convenience
44	Continuous Technology and Infrastructure Investments for Better Services
48	Believing in the Future: Türk Telekom and R&D Activities
56	Investing in Human, Investing in Corporate Culture: Organization, Employment and Training
62	Economic and Sector Outlook
68	Material Events After Closing of the Reporting Period
70	Dividend Distribution Table, Proposal of the Board of Directors
72	Corporate Governance Principles Compliance Report
90	Consolidated Financial Tables and Independent Auditor Report

In spite of the challenging conditions created by the global crisis, Türk Telekom's net profits grew by 5% in 2009. This great success story was possible thanks to the trust invested in Türk Telekom by its devoted stakeholders, and its determined and hard-working employees.



OUR TARGET IS TO OFFER RICHER CONTENT ALTERNATIVES EACH DAY TO OUR CUSTOMERS IN THE CONTEXT OF TELECOMMUNICATIONS AND CONVERGENCE TECHNOLOGIES, AND TO CONTINUE TO CREATE VALUE...

Türk Telekom, one of the world's largest fixed line operators with over 16.5 m subscribers, is Turkey's leading telecommunications and convergence technology company and set against the difficult backdrop of the global economic crisis was able to report a 5% increase in net profits to 1.8 billion TL and consolidated revenue of 10.5 billion TL for its annual results for the year ended 2009. Notwithstanding the economic difficulties faced by many organizations in 2009 Türk Telekom continued its strong growth and met its investment objectives despite the difficult global economic economy.

Türk Telekom has been able to achieve this great success story backed by the confidence of our loyal stakeholders together with the devoted and determined efforts of our valuable staff. At Türk Telekom we are investing in many fields from system infrastructure to the distribution network and from human resources to the development of new products and services. Our objective is to introduce richer content alternatives everyday within the framework of the telecommunications and convergence technologies. We are taking the necessary steps to provide more quality services to our customers both in the voice and broadband communications fields while also increasing the diversification in the products we offer. One of the important developments in 2009 was the launch of the 3G mobile internet solution by Avea. On the other hand, TTNET launched mobile internet as a complimentary service to our ADSL customers. During 2009 Türk Telekom continued to invest in its technology and infrastructure; accelerating its R&D activities; and becoming

more international, exporting its technological innovations and began to see the rewards from these initiatives during 2009. We have started to work together with operators in other countries to introduce the Wirofon service - our proprietary IP telephony service. In conjunction with this, the increased interest in and subsequent demand from the young Turkish market in online gaming and other software applications developed by Türk Telekom group companies is showing great promise for the Group.

Another important development in 2009 was that our online education software (named as Adaptive Curriculum® in the US) is now available both in Spanish and Arabic in order to be launched in various markets following its success in the US.

I would like to express my sincere thanks to the Board and all members of staff for making their individual contributions to the successes achieved by the Türk Telekom Group in 2009. We will continue to create value for our shareholders, customers and all our stakeholders with our new products and services in the environment of corporate social responsibility as we continue working on improvement of our fixed and mobile networks.

Mohammed Hariri

The 8 Mb internet service, which we started offering in Turkey will lay the ground for the convergence services we will be offering to our customers in 2010. With innovative products and services like Internet TV, we will offer better experiences to our customers in 2010 as well. Our 3rd generation network was commissioned in 2009, which enables us to provide our fixed-line internet customers with mobile internet service as an additional service. Convergence of these services in a single effective product has differentiated us not only from the competition in Turkey, but also from European telecom companies as well.



The primary focus for the Türk Telekom Group in 2009 was on improving our basic network infrastructure to enable us to launch an 8 Mb standard speed internet service across the whole of Turkey. It is a proud achievement for Turkey, which stands up well to European benchmarks. This will be the basis for our new Service Convergence launches in 2010.

In the Mobile arena we launched a 3G network which enabled us to offer our fixed internet (ADSL) customers 'add-on' mobile internet services. Convergence of the Mobile and Fixed internet services in one effective offering is not just a differentiator to our Turkey competitors, but also to most telecom companies in Europe.

In the Fixed voice area 2009 was the year of 'bundles' where Türk Telekom commenced to offer customers the opportunity to purchase talk minutes with a volume discount. In 2010 we will see further enhancements of these 'bundle' offers, now that the regulation of our fixed tariffs and campaigns are more in line with mobile operators, providing us with much needed, increased flexibility.

Investments in our people continued in 2009, with 2,000 new people from all over the country joining the TT family of companies. This means that in the last five years Türk Telekom has employed more than 6 thousand new people. In addition to our contributions in employment, we add value to society through our social responsibility projects. We funded, and completed, the construction of 48 new schools for the Ministry of Education across the whole of Turkey in 2009. We achieved our target of 100 thousand trees under E-billing Forests Project. With the above and other projects, Türk Telekom was honoured by several domestic and international awards such as Golden Compass, LACP, SABRE and IPRA awards in 2009.

Technology export was one of the important developments in 2009. Our online education software Vitamin has become a global product, with English language, in addition to Arabic and Spanish, and more to follow. We have started to work on offering Wirofon service, which allows using fixed line service over a mobile phone, in global markets following Turkey. Online games and other software applications developed by TT group companies have attracted great attention domestically and in the region. We will continue to expand further, in 2010, our exporting of technology and services developed in Turkey to the world.

All of the above was possible because we succeeded to maintain good profit margins in 2009 despite the global crisis and recession, and also despite the mobile price war, which aggravated fixed-to-mobile substitution. Türk Telekom net income increased 5% to 1.8 billion TL. We increased our consolidated revenue by 4 percent compared to 2008 and reached 10.5 billion TL. With our Mobile subsidiary showing growth of 19% (as we led the Mobile market into a new direction of all directional tariffs) and ADSL increasing 28% (as we added more value to our customers internet experience).

In 2010 we will continue to add more innovative services and offerings, such as Internet TV, and add more focus to the exporting of our services/products. Our innovation will be driven by our commitment to continually improve our customers' communication experience.

P. Doany

Dr. Paul (Boulos H. B.) Doany
CEO

A man and a young boy are sitting at a wooden table, playing chess. The man, wearing a red polo shirt, is smiling and looking at the chess pieces. The boy, wearing a blue polo shirt, is leaning over the table, moving a white chess piece. The chessboard is set up with various pieces, including pawns, knights, and kings. The background shows a window with white blinds and a white door.

Always
one step ahead...

The members elected to the seats on the Board of Directors and the Audit Board at the Türk Telekom Extraordinary General Assembly Meeting on November 14, 2008 are listed herein below. During 2009, there were no changes in our Board of Directors and Auditors memberships. The members of the Company's Board of Directors serve in their capacities subject to the authorities granted to them as per the Articles of Association.



**MOHAMMED HARIRI
CHAIRMAN**

(1958) Holding a degree in Management Engineering from the University of Ottawa, Mohammed Hariri has been a part of the management of Saudi Oger Ltd. for 25 years. He holds seats as chairman or member on the boards of directors of various Saudi Oger subsidiaries in a number of countries and industries such as telecommunications, construction, energy and air transport. He is also a member of the Board of Avea. Elected as a member of the Board of Directors of Türk Telekom on 14 November 2005, Mohammed Hariri has served as the Chairman of the Audit Committee between June 16, 2008 and April 9, 2009 and has been serving as the Chairman of the Board since April 22, 2008 and as the Chairman of the Executive Committee since April 9, 2009.



**İBRAHİM ŞAHİN
VICE CHAIRMAN**

(1962) After graduating from Ankara University Faculty of Law, İbrahim Şahin served in various positions at the Internal Affairs Ministry, worked as an advisor and undersecretary at the Ministry of Transportation, and as PTT General Manager. Şahin was a member of the Audit Board of Türk Telekom between December 31, 2002 and June 1, 2007, a member of the Audit Committee between June 16, 2008 and April 9, 2009 and has been Vice Chairman of the Board of Directors since June 1, 2007, Vice Chairman of Executive Committee since April 9, 2009. Şahin has been the General Manager of TRT since November 21, 2007.



**SAAD ZAFER M AL KAHTANI
MEMBER**

(1964) After receiving his B.S. degree in engineering from the University of Petroleum and Minerals, Saad Zafer M Al Kahtani pursued master's studies in business management/ marketing at the King Saudi University. Kahtani is currently the Vice President of Individual Sector Services at Saudi Telecom Company where he held various senior positions since 1986. Saad Zafer M Al Kahtani has been a member of the Board of Directors at Türk Telekom since July 30, 2008 and member of Executive Committee since April 9, 2009. Mr. Kahtani served as the member of the Audit Committee between January 7, 2009 and April 9, 2009.



**ABDULLAH TIVNİKLİ
MEMBER**

(1959) After getting his B.S. in Mechanical Engineering from Istanbul Technical University, Abdullah Tivnikli completed a business master's program 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. Mr. Tivnikli has been serving as board member of Türk Telekom since November 2008 and member of the Executive Committee since April 9, 2009. He is presently in the management of Eksim Group, as well.



**SAMİR ASAAD O MATBOULI
MEMBER**

(1956) After getting his degree in Electrical Engineering from the California University in the USA, Samir Asaad O Matbouli got his master's degree in telecommunication engineering from the King Abdulaziz University in Jeddah, Saudi Arabia. He served in various senior positions at the Saudi PTT Ministry. He functioned as the General Manager for Network Operations and Vice President of Saudi Data at Saudi Telecom Company, where he is currently the Vice President of Enterprise Business Unit. He is also a Consultant Member on the Faculty of the Engineering Department at King Abdulaziz University in Jeddah, Saudi Arabia. Samir Asaad O Matbouli has been a member of the Board of Directors of Türk Telekom since July 30, 2008 and a member of the Audit Committee since April 9, 2009.



**BASILE YARED
MEMBER**

(1948) Holding a degree from Saint Joseph University in Beirut, Basile Yared practices law out of his offices in Paris and Beirut. He holds a member seat on the boards of directors of Yared GroupMed sal (Holding), The Lebanese Company for the Development and Reconstruction of the Beirut Central District sal (SOLIDERE), Saudi Oger Ltd. and Oger International. Basile Yared has been a member of the Board of Directors of Türk Telekom since November 14, 2005 and has been serving as Chairman of the Audit Committee since April 9, 2009.



**İSMET YILMAZ
MEMBER**

(1961) After getting his BSc degree in Mechanical Engineering from Istanbul Technical University, İsmet Yılmaz received a BA degree from Istanbul University Faculty of Law. He got his MSc from Malmö World Maritime University in Sweden and his MA from Marmara University Faculty of Law. He worked at various public institutions and private sector companies as an engineer and a legal consultant. Yılmaz currently serves as the Undersecretary of Culture and Tourism. Having served as the Vice Chairman of the Board of Türk Telekom between November 14, 2005 and May 8, 2007 and member of the Audit Board between November 7, 2007 and November 14, 2008, he has been a member of the Board of Directors since November 14, 2008.



**DR. ALİ ARIDURU
MEMBER**

(1959) After getting his BSc in Mechanical Engineering from Istanbul University, Dr. Ali Arıdur received his MSc and Ph.D. from Marmara University. After working as an engineer, university lecturer and Regional Representative for TSE (Turkish Standards Institute), he became the Director General of Civil Aviation. Dr. Ali Arıdur has been a member of the Board of Directors of Türk Telekom since June 1, 2007.



MEHMET HABİB SOLUK MEMBER

(1950) Mehmet Habib Soluk holds a degree in Mechanical Engineering from Yıldız Technical University. He 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 Directorate General of Coastal Safety, Head of Research, Planning and Coordination Department at the Undersecretariat for Maritime Affairs, Assistant General Manager of PTT, Director General at the Coastal Safety and Ship Rescue, and Assistant Undersecretary and Undersecretary at the Ministry of Transportation. Mehmet Habib Soluk has been a member of the Board of Directors of Türk Telekom since November 14, 2008 and a member of the Audit Committee since April 9, 2009.



DR. PAUL (BOULOS H.B.) DOANY MEMBER AND CEO

(1955) Dr. Doany holds a PhD in Communications Engineering (UMIST, Manchester, UK, 1981); MSc in Digital Electronics & Communications Engineering (Bradford University, UK, 1978), and BE in Electrical/Electronics Engineering (AUB, Beirut, 1977).

Dr. Doany is appointed as Executive Director of the board after the 55% block share acquisition by Oger Telecom in November 2005. Between November 14, 2005 and April 22, 2008 he served as the Chairman of the board and has been serving as board member since April 22, 2008 and member of the Executive

Committee since April 9, 2009. Dr. Doany is the CEO of Türk Telekom since March 2, 2006. He also serves as the Chairman of Argela, Innova, Sebit, AssisTT and TTNet, the wholly owned subsidiaries of Türk Telekom, and on the board of Avea, the GSM operator, in which Türk Telekom controls 81%.

He has been with Oger Telecom since 1998, and in position of CEO since 2002, with operations including GSM in South Africa, and internet services in Lebanon, Jordan and Saudi Arabia. He retains his position as Oger Telecom CEO, with total group customers in excess of 40 million, and staff more than 36 thousand in all subsidiaries. Prior to joining

Oger Telecom, he was Managing Director of the UK offices of an international consultancy, Dar Al Handasah Consultants, in charge of telecommunications projects, with 3,000 employees worldwide. He managed projects in over 20 countries, including fixed, mobile, terrestrial and satellite communications. He has a number of international publications, and holds patents in the application of spread spectrum techniques.

Board of Auditors

EFKAN ALA - STATUTORY AUDITOR

(1965) He holds a degree from Istanbul University and an M.A. degree from Karadeniz Technical University. His previous experience includes various governorship positions. He was officially charged with governing a number of Turkish cities: Ordu, Tunceli, Batman, Diyarbakır. He worked as Manager of Education Office of Internal Affairs Ministry, Manager of Education Office of Tourism Ministry and Tourism Ministry Consultant. He has been working as undersecretary of Prime Minister since 2007. Efkan Ala has been a statutory auditor at Türk Telekom since March 12, 2008.

PROF. AYDIN GÜLAN - STATUTORY AUDITOR

(1962) After getting his degree in law from Istanbul University, Aydın Gülan started working as a research assistant at Administrative Law Department. In 1987, he got his master's degree upon submission of his thesis on “Public Service and Performance Procedures”. He started pursuing his doctorate studies at the Institute of Social Sciences at Istanbul University. He conducted doctorate research at the Bourgogne University in France in 1989 and 1990. In 1995, he got his Ph.D. with his thesis titled “Legal Regime Governing the Procedures for Public Property Use”, which was later printed as a book. He was appointed as an assistant professor in 1996. He became an 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 received the title Professor in 2008. He currently serves as a faculty member at the Administrative Law Department at the same university. Aydın Gülan has been serving as a statutory auditor at Türk Telekom since November 14, 2008.

ASSOC. PROF. TUNA TUĞCU - STATUTORY AUDITOR

(1971) Tuna Tuğcu holds a B.S. in Computer Engineering from Boğaziçi University, an M.S. in Computer and Information Science from New Jersey Institute of Technology, Newark, NJ and a Ph.D. in Computer Engineering from Boğaziçi University. He is currently an Associate Professor at Boğaziçi University. Tuna Tuğcu has been serving as a statutory auditor at Türk Telekom since November 14, 2008.

Executive Committee

Pursuant to the decision taken during the Board of Directors Meeting of April 9, 2009, a Board of Directors Subcommittee was created under the name of Executive Committee. The committee consists of the following members:

Mohammed Hariri
Chairman

Ibrahim Şahin
Vice Chairman

Dr. Paul (Boulos H. B.) Doany
Member

Abdullah Tivnikli
Member

Saad Zafer M. Al Kahtani
Member

Audit Committee

Pursuant to the decision taken during the Board of Directors Meeting of April 9, 2009; the Board of Auditors consists of the following members:

Basile Yared
Chairman

Mehmet Habib Soluk
Member

Samir Asaad O Matbouli
Member

There were no other members during this period who were appointed to Türk Telekom's Boards of Directors and Auditors.



DR. PAUL (BOULOS H.B.) DOANY
CEO

Please see page 10 for Dr. Doany's resume.



CELALETTİN DİNÇER
VP OPERATIONS

(1966) After getting his degree in Electronic Communications Engineering from the Faculty of Electrical and Electronic Engineering at Istanbul Technical University, he started his career as an engineer with PTT Istanbul Region Directorate. He was later promoted to Data Processing Manager at the same place, and then appointed as Data Processing Department Head at Türk Telekom in 2000. Celalettin Dinçer became an Assistant General Manager in 2001.



ŞÜKRÜ KUTLU
VP REGULATIONS AND SUPPORT SERVICES

(1970) After getting his degree from Ankara University Faculty of Law, Şükrü Kutlu worked as an assistant auditor, auditor, and chief auditor at the Turkish Court of Accounts. Şükrü Kutlu joined Türk Telekom in 2003 as Assistant General Manager and is continuing his duties as Vice President Regulation and Support Services. Şükrü Kutlu is currently serving as a member on the board of directors of TCDD (Turkish State Railways).



EREM DEMİRCAN
VP MARKETING AND COMMUNICATIONS

(1968) Upon graduating from Electrical and Electronic Engineering Department in Bosphorus University; for 17 years he acted in various positions in the domestic and international companies of Koç Group, notably Arçelik; and took roles of different management levels including Assistant General Management of Sales & Marketing and Grundig Board Membership. He joined Türk Telekom in November 2006 as the Director of Marketing, and was appointed as the acting VP Corporate Relations of Türk Telekom in September 2007. He has been working as Türk Telekom VP Marketing and Communications since April 2008.



AYDIN ÇAMLİBEL
VP SALES

(1958) Aydın Çamlıbel got a degree from the Darmstadt Technical University. He worked as an engineer, Cable TV Manager, and Access Network Manager at Siemens where he worked for more than 16 years. After joining Telsim (now Vodafone) as Investments Coordinator, he subsequently worked as the Marketing and Regulations Coordinator and then became VP Sales&Marketing. Aydın Çamlıbel joined Türk Telekom in 2007.



DR. MEHMET KÖMÜRCÜ
VP LEGAL

(1970) After getting his degree in law from Ankara University, Mehmet Kömürcü got his master's degree in International Trade Law from American University, Washington College of Law. He received another master's degree in Law of International Waters and his Ph.D. in Public International Law from the Law School of the University of Wisconsin, 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 a research assistant at the University of Wisconsin-Madison Law School in 2001 and 2002. Admitted to New York and Istanbul Bar. Dr. Mehmet Kömürcü joined Türk Telekom in 2005.



K. GÖKHAN BOZKURT
VP HUMAN RESOURCES

(1971) Kamil Gökhan Bozkurt is a graduate of Bilkent University, Department of Economics and holds a master's degree from the Department of Economics of Johns Hopkins University, USA. After serving in management positions in a private company, he worked in Trade Finance Department of an international finance institution.

Mr. Bozkurt, then, joined T.C. Ziraat Bankası in 2003 as Senior Manager responsible for Financial Institutions. He also has held seats as Board Member in Ziraat Bank Moscow CJSC and Ziraat Bank International AG. He joined Halkbank as Executive Vice President responsible for Organization and Human Resources on March 1, 2004, and in this capacity he was the project

leader of the Halkbank-Pamukbank merger. He was appointed as Executive Vice President responsible for Financial Institutions and International Banking in April 2006 and he managed both positions. He was an active participant of Privatization Committee for Halkbank. He was a member of the Board of Directors at Birlik Insurance. He has been with Türk Telekom since November 1, 2006 as VP Human Resources.



MEHMET CANDAN TOROS
VP INTERNATIONAL AND
WHOLESALE SALES

(1965) After getting his degree in Electrical Engineering from the Faculty of Electrical and Electronic Engineering at Istanbul Technical University, he started his career as an engineer at the PTT Technical Operations and Maintenance Department in 1988. After serving as Satellite Systems Engineer, Deputy Manager, Managing Director of Satellite Communications Center and Director of Satellite Communication & Spacecraft Management Department PTT and Türk Telekom, Mehmet Candan Toros was appointed as the Assistant General Manager for Sales and Marketing in 2003. He is the International and Whosales VP since 2008.



PAUL TAYLOR
DEPUTY VP COMMERCIAL
TRANSFORMATION

(1960) Electrical and Electronics Engineer . He graduated from the Chartered Institute of Marketing in the UK, where he received his Post-Graduate diploma in International Marketing. He is a Fellow of the Chartered Institute of Marketing, an Incorporated Engineer and a Member of the Institute of Engineering and Technology.

He has over 25 years experience of the Telecom industry holding various senior executive positions in Sales, Marketing and Customer Care, at British Telecom, Cable & Wireless and Oger Telecom. During his business life he has lived in Asia, the Middle East, Continental America and Europe working in approximately 50 countries. He joined Türk Telekom in 2006, was initially appointed as Deputy Chief Commercial Officer, and from April, 2008 became Deputy Vice President for Commercial Transformation.



DAVID COOK
ACTING CFO

(1959) After receiving his degree in Business Studies from Sheffield UK he started his career with Pirelli Cables as an accountant working initially in the UK and then spending 3 years in Italy. Following Pirelli he joined ITS as UK Finance Director and then was promoted to a Finance role in the Corporate operations. He then joined Equant, a Global Telecom Network and services business where for 10 years he worked in several Finance Director roles including CFO Europe for the Services Division. In 2006 he commenced working in Türk Telekom where he has helped transform the Finance function and in September of 2009 was appointed Acting Vice President Finance.



DR. NAZİF BURCA
HEAD OF INTERNAL AUDIT

(1968) After getting his degree in public administration from Ankara University, Nazif Burca started his career as an Accounts Auditor Trainee at the Ministry of Finance. He was later promoted to Accounts Auditor and Chief Auditor. Burca received his master's degree in finance from the University of Illinois in the USA. He got his Ph.D. in finance from Gazi University in 2008. In 2003, he was appointed as the Assistant General Manager, responsible for Finance at Türk Telekom, a position he held until November 2006. He has been serving as the Head of Internal Audit since 2007.



DR. RAMAZAN DEMİR
VP STRATEGY AND BUSINESS
DEVELOPMENT

(1972) Having graduated from Bilkent University Industrial Engineering Department, Dr. Demir holds a Doctoral Degree from MIT, Sloan School of Management in Operational Research. As of 2005, he held executive positions with Yahoo!, and he was most recently the director of the Yahoo! Marketplace group. He joined Türk Telekom in October 2009.

Changes that took place in 2009

CFO Ersin Topçuoğlu resigned on September 15, 2009 from his office at our company, and our Board of Directors decided on September 15, 2009 to appoint David Cook as Acting CFO.

Tunç Yorulmaz, who had been working with our company as VP Strategy and Business Development since January 2006, continues as of November 1, 2009 to work as Special Projects Advisor to the CEO of our company. He was replaced by Dr. Ramazan Demir.

Increasing its net profits by 5% in 2009, Türk Telekom also contributed to public finance by 4.328.236.400 TL. Giving 2 thousand people jobs in the year of global crisis, the Company increased its investments by 40%, and was responsible in 2009 for one of the biggest dividend distributions in the history of Istanbul Stock Exchange (ISE).

Key Performance Indicators

Consolidated	2007	2008	2009
Total Sales Revenues (Million TL)	9,424	10,195	10,568
Capital Expenditure (Million TL)	1,187	1,756	2,470
EBITDA Margin (%)	45	43	40
PSTN			
PSTN ARPU (TL)	24	24.4	22.4
PSTN Subscribers (Million)	18.2	17.5	16.5
PSTN Per Employee	492	587	600
GSM			
GSM ARPU (TL)	15.9	15.6	16.7
GSM MoU (minutes)	182	173	242
GSM Subscribers (Million)	9.9	12.2	11.8
GSM Base Stations	8,718	10,203	11,804
GSM Population Coverage (%)	93.8	95.2	96.5
GSM Area Coverage (%)	69.5	72	73.4
ADSL			
ADSL Subscribers (wholesale) (Million)	4.5	5.8	6.2

Financial Ratios

	2007	2008	2009
ROE (%)	41	34	34
ROA (%)	20	14	14
Borrowings/Equity (%)	107	148	147
Operating Profits (Million TL)	2,566	2,710	2,692
EBITDA (Million TL)	4,204	4,342	4,249

TÜRK TELEKOM'S NET INCOME INCREASED BY 5% IN 2009

During 2009, which was a year marked by economic stagnation, Türk Telekom Group brought its net income up to 1.8 billion TL, which translates into an increase of 5% compared to the previous year. And consolidated group revenues as of 2009 year-end surpassed 10.5 billion TL with an increase of 4% compared to 2008.

Türk Telekom's GSM revenues went in 2009 from 2,113 million TL to 2,504 million TL with an increase of 19% compared to the previous year. In the same period, the group also continued to increase its ADSL revenues. ADSL revenues increased by 28% to go from 1,670 million TL in 2008 to 2,140 million TL in 2009.

GREAT CONTRIBUTION TO PUBLIC FINANCE

Assuming a pioneering and innovative role in every area of the telecom industry, the Türk Telekom Group continued to grow in 2009, while its outstanding contribution to public finance also continued. In 2009, during which year the impact of the global crisis was deeply felt by the Turkish economy, Türk Telekom provided a total contribution of 4,328,236,400 TL with taxes and the Treasury share paid to the state. In 2008, the group alone accounted for 2.29% of the overall tax revenues raised across Turkey.

EMPLOYED 2,000 PEOPLE IN THE YEAR OF GLOBAL CRISIS

Türk Telekom continues to be one of the leading employers of Turkey, offering a valuable contribution to Turkish economy by employing 34,086 employees according to 2009 year-end numbers. Türk Telekom added 2,000 new employees to its workforce in the crisis year of 2009, and provided said employees with in-service trainings as well.

CAPITAL EXPENDITURE INCREASED BY 40%

Improving the quality and diversity of its services by each day, Türk Telekom continues to invest at unfaltering speed. Having incurred 1,756 million TL worth of capital expenditure in 2008, Türk Telekom increased this amount by around 40% in 2009, bringing it up to 2,470 million TL. Accordingly, Türk Telekom has increased its capital expenditure by over 100% as of 2009 year-end compared to that of 1,187 million TL in 2007.

HISTORIC DIVIDEND DISTRIBUTION; STOCK PRICES INCREASED BY 44%

Offering 15% of its overall capital to the public as a result of world's seventh biggest IPO of 2008, Türk Telekom also paid record cash dividends to its partners in 2009.

Adopting a policy of distributing the whole amount of dividends that are distributable as per CMB regulations, Türk Telekom continued to serve the interests of its partners with the biggest amount of cash

dividend to have ever been distributed in the entire history of the ISE. Türk Telekom also paid out in May 2009 gross cash dividends of 1 billion 490 million, which was the entire amount of distributable dividends from 2008.

Intending to pursue the same policy in 2010, Türk Telekom's Board of Directors proposed to the General Assembly to pay to the shareholders the cash dividends of around 1 billion 590 million TL, which is the total amount of distributable dividends for the operating year of 2009. If the General Assembly of April 6, 2010 should approve the said proposal, Türk Telekom will have improved its own record in cash dividend distribution.

Pleasing its investors with not only dividend distribution but also increasing stock prices, the price of Türk Telekom shares traded at Istanbul Stock Exchange increased at a rate of 44% in 2009. Going from a market value of 11 billion TL to that of 16 billion TL during the same period, Türk Telekom has become one of Turkey's most valuable companies.

THE FIRST TELECOMMUNICATIONS COMPANY TO BE INCLUDED IN THE ISE CORPORATE GOVERNANCE INDEX

Türk Telekom successfully received an overall Corporate Governance rating of 8.01 as a result of an independent assessment by SAHA Corporate Governance and Credit Rating Company incorporated by Capital Markets Board of Turkey (CMB). With this rating, Türk Telekom has become the first telecommunications company to be included in the Corporate Governance Index of Istanbul Stock Exchange. Such high rating is a clear sign that Türk Telekom has complied to CMB Corporate Governance Principles to a large extent, putting required policies and precautions into practice. It also shows that management and internal control mechanisms are efficiently created and implemented within Türk Telekom, that a majority of corporate governance risks were defined and actively managed, that rights of shareholders and stakeholders are observed in a fair manner, that public disclosure and transparency activities are performed at top level, and finally that the structure and operation of the board of directors rests on a sound foundation.

As a matter of fact, performing above legal requirements in the area of public disclosure and transparency activities since its IPO, Türk Telekom has observed the interests of all shareholders and stakeholders in an absolutely fair manner, and therefore attaches utmost importance to corporate governance principles in the formation of its internal organization and its Board of Directors.

Corporate Governance Rating was determined as a result of the examination made under four major topics (Share Holders, Public Disclosure and Transparency, Stakeholders, Board of Directors) weighted differently within the framework of the CMB's Corporate Governance principles.



Using the power of
togetherness to
serve life...



A leading company in its field of operation, TTNET increased the speed of internet in addition to the innovative solutions it brought to the marketplace, while Avea, Turkey's youngest mobile communications operator, both increased its subscriber base and signed a roaming contract with 193 countries. Having a deep engineering knowledge base, Innova became internationally successful after its achievements in Turkey. Producing innovative technologies and solutions for Telecom operators, Argela met new customers outside Turkey. And Sebit, whose Vitamin contributed to the world of education, developed its products further. Turkey's fastest growing call center, AssisTT, managed to include Turkey's giant companies in its portfolio. And Sobee continues to implement new projects, too.



AVEA

AVEA: TURKEY'S YOUNGEST AND MOST INNOVATIVE MOBILE COMMUNICATION OPERATOR

81.37 percent of its shares being owned by Türk Telekom, Avea is the youngest and most innovative company of the mobile communication industry. With 11.8 million subscribers as of 2009 year-end, Avea serves its customers with 2,563 employees.

With its new generation network, Avea continues to grow rapidly by increasing its corporate and retail services and the number of subscribers. Investing continuously in technology, infrastructure, management and human resources, the company maintains its target of improving service quality.

ROAMING AGREEMENTS WITH 193 COUNTRIES

Presently having roaming agreements with 597 operators in 193 countries, Avea provides its customers with quality communication, even during times spent abroad, by constantly increasing the number of roaming partnerships.

Since the day it was founded, Avea has brought an environment of serious competition into the GSM market, raising the quality bar with innovative and customized services offered to all customer groups. Starting out from the vision of becoming "Turkey's most favored and preferred mobile communication company," Avea deems it as one of its responsibilities to

COMPANY DETAILS:
Established In: 2004
Number of Employees (as of 2009 year-end): 2,563
Türk Telekom's Share (as of 2009 year-end): 81,37%
www.avea.com.tr

contribute to the creation of a fair competition environment in Turkish GSM market, and continues to expand the range of services offered to corporate and retail customers through customer-oriented and innovative services.

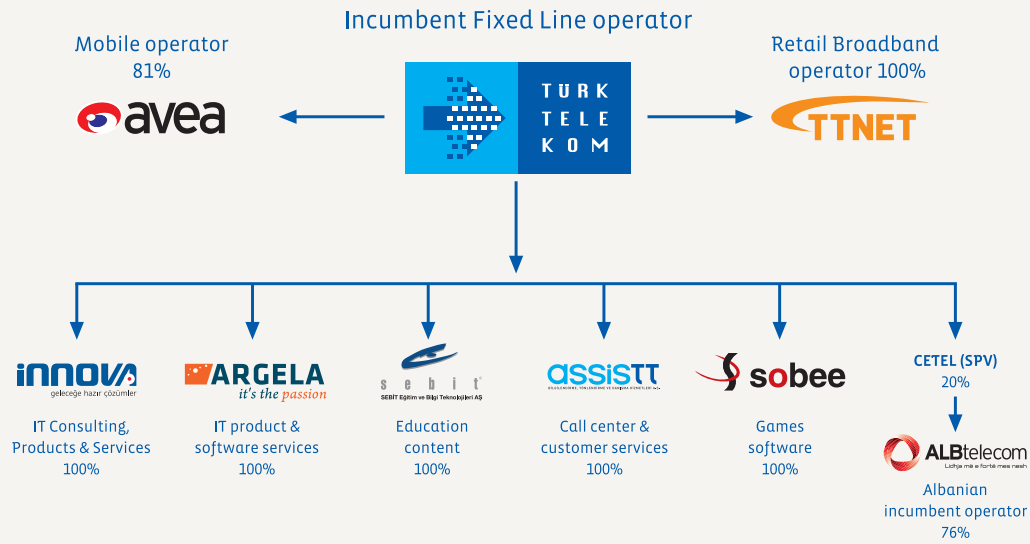
A WIDE VARIETY OF SOCIAL INVESTMENTS

Having become the opinion leader of the GSM industry with the innovative approaches it brought into the marketplace, Avea went from strength to strength with pioneering and differentiating projects in the field of social accountability. Avea deems it as a fundamental responsibility to participate in long-term and sustainable social accountability projects which contribute to national development and society, and, in line with such vision, makes social investments in Turkey's future by implementing innovative projects of a wide variety from education and entrepreneurship to employment and earthquake emergency intervention practices.

THREE AWARDS TO AVEA IN 2009

In 2009, customer-oriented service approach brought Avea "Best Training Program" and "Best Call Center Performance Improvement" awards at "IMI 2009 Istanbul Call Center Awards" event. In addition, Avea also received the "Legal Digital Music Platform Award" at the 13th Istanbul FM Golden Awards Night event organized by Istanbul FM radio station.

COMPANY DETAILS:
Established In: 2006
Number of Employees (as of 2009 year-end): 359
Türk Telekom's Share: 100%
www.ttnet.com.tr



INNOVA

INNOVA: A COMPANY THAT RAPIDLY EXPANDS ITS BUSINESS VOLUME AND SOLUTIONS PORTFOLIO

Innova IT Solutions Corp., the pioneering company of the IT solutions and services area, uses its deep engineering know-how to offer innovative and value added high technology solutions that guarantee efficiency increase and cost reduction for companies in all industries from telecommunication to government, and from industry and delivery to finance.

With services that are independent from products and brands, Innova covers the entire range of the consultancy, design, application development, integration and maintenance value chain. Innova's strength in application development and integration, which play a key role in IT technologies solutions, makes it a unique and competent system integrator capable of creating end-to-end solutions that match customer requirements perfectly.

Incorporating different types of expertise within its structure, Innova combines its technological know-how with business processes experience to produce well-managed, rapid and efficient projects.

Having support offices in Izmir, Antalya, Adana and Erzurum in addition to main offices in technology development zones in Istanbul and Ankara, Innova joined forces with Argela, one of Türk Telekom's companies, to establish the IVEA in Dubai for improving the operations of the group in the region.

AWARDS RECEIVED HOME, MAJOR PROJECTS ABROAD

Being a Platinum Business Partner of HP Software Group, Innova received in 2009 the HP Software Business Partner of the Year Award for the EMEA Region. For four successive years, Innova was listed among the fastest-growing technology companies of Turkey within the Deloitte Technology Fast50 Turkey 2009 Program. Innova confirmed its success once more in the IT 500 survey, which attests the most successful companies of the Turkish IT industry, maintaining its market leader position in 2009 in the 'Various Business Practices' category, just as it did in the previous two years. In 2009, the company achieved a lot in the international market too. Successful kiosk projects were accomplished in Qatar and Dubai, and a large-scale loyalty project was implemented in Saudi Arabia through the use of foreign finance.

COMPANY DETAILS:
Established In: 1999
Number of Employees (as of 2009 year-end): 405
Türk Telekom's Share: 100%
www.innova.com.tr

ARGELA

NEXT GENERATION SOFTWARE AND IT SOLUTIONS FROM ARGELA, A GLOBAL COMMUNICATION PLAYER

A wholly-owned subsidiary of Türk Telekom, Argela Yazılım ve Bilişim Teknolojileri A.Ş. has been producing innovative technologies and next generation solutions for telecom operators since 2004. Having products presently used by many operators across the world, it is safe to say that Argela reaches millions of subscribers through solutions offered to these operators.

Through R&D activities performed by its experienced staff, Argela is ahead of the game developing technologies for future communication networks, and transforming those technologies into next generation telecommunication solutions that give a competitive edge to operators.



A GLOBAL PLAYER THAT OPENED UP TO THE WORLD

Having its central offices in Istanbul, Argela also has research laboratories in Ankara. The company also operates in Dubai through IVEA Software Solutions FZLLC, in which it has 50% stakes, and in the United States through Argela USA, Inc, which it fully owns. Argela's priority markets include the Balkans and Saudi Arabia, and particularly India. The company also has customers in South Africa, Ukraine, Cyprus, Kazakhstan, Moldova and Georgia.

THE AWARD THAT WAS BROUGHT BY CONVERGENCE

Hosting Türk Telekom's convergence services, the 'Convergence Gateway' platform is a patented invention by Argela. The WiROFON service, which runs on this solution, and was introduced to the marketplace by Türk Telekom, received the CommsMEA 'Best Telecom Service of the Year' award.

COMPANY DETAILS:
Established In: 2004
Number of Employees (as of 2009 year-end): 136
Türk Telekom's Share: 100%
www.argela.com

SEBİT

THE RIGHT ADDRESS FOR E-LEARNING SOLUTIONS

Activities of Sebit Eğitim ve Bilgi Teknolojileri A.Ş. first started in 1988 in a research laboratory within TÜBİTAK. Focusing on the use of technology in education and Turkish content development, the Computer Aided Education Laboratory was, following eight years of R&D work, privatized in 1996 upon decision of the Scientific Board of TÜBİTAK, and Sebit was established.

Sebit's first product was Akademedi in 1998, which was a university preparation package covering all topics of high school curriculum. Being the first product of this coverage and quality in the world, Akademedi has been regarded for a long time as one of the best products of the world with its strong educational structure, high-quality content and visuals.

VİTAMİN WENT BEYOND BORDERS

Having been compartmentalized as of year 2000, Akademedi was restructured and reoffered to users under the Vitamin brand. Providing online educational support services for teachers and students, which are fully compatible with the curriculum of the Ministry of National Education (MoNE), Vitamin comes in three different products: Vitamin İlköğretim, Vitamin Lise and Vitamin Öğretmen Portalı. The product was launched in the Chinese market in 2002 under the 'Tianyi' brand, and introduced to the Malaysian market in 2004.

From 2004 to 2008, Sebit implemented the only successfully completed education project under the European Union Sixth Framework Program with the Research and Development Project titled iClass (Intelligent Distributed Cognitive-based Open Learning System for Schools).

Joining the Türk Telekom family in 2007, Sebit made substantial worldwide progress in the field of generalizing and new business model development, becoming one of the leading companies of the world that innovates in the school applications of educational technologies. Sebit offered a solution to the American market with the Adaptive Curriculum® brand, which turned into a great international achievement. And the Vitamin brand is regarded today as a telecom product, and telecom companies in many countries around the world see Sebit's products as an important opportunity for offering to their customers as added value services.

FOUR INTERNATIONAL AWARDS IN 2009

In 2009, Sebit received four different awards worldwide. In November 2009, Sebit received for Vitamin the "Best Content Service" award at the World Communication Awards, which assesses all telecom and mobile operators across the world, and their solution partners and services.

Receiving the "Best Online Education Solution" award at the CODiE Awards with Adaptive Curriculum® in 2009, Sebit received for Adaptive Curriculum the Best Science and Mathematics Website Award at EDDiE Awards organized by ComputED Learning Center, which was indeed an achievement carried from 2008 onto 2009. Adaptive Curriculum® was elected the Best Science and Mathematics Online Educational Product for secondary schools at Best Educational Software (BESSiE) Awards for 2009.

Receiving the blue ribbon in the Best Business Development Communication Program and Best New PR Product/Process/Service categories at the League of American Communication Professionals (LACP), Vitamin was also awarded a certificate of achievement in the Most Comprehensive Organizational Communication Program and Best Corporate Communication / PR Program categories.

COMPANY DETAILS:
Established In: 1988
Number of Employees (as of 2009 year-end): 180
Türk Telekom's Share (as of 2009 year-end): 100%
www.sebit.com.tr

ASSİSTT

TURKEY'S FASTEST GROWING CALL CENTER: ASSİSTT

Being Türk Telekom's youngest company with a history of only two years, AssisTT became the fastest growing call center of Turkey with its performance in 2009. Accordingly, AssisTT also achieved the position of second largest call center in Turkey. Aiming at becoming a pioneering 'Customer Satisfaction Center' in call center services in Turkey, AssisTT also aspires to become one of the top ten companies operating in this area in the EMEA (Europe, Middle East, and Africa) region.

CONTRIBUTING TO EMPLOYMENT IN EASTERN PROVINCES

Employment is of increasing importance to Turkish economy, which is characterized by an abundance of young population. In 2009, AssisTT gave jobs to 165 people at call centers it opened in Erzurum and Erzincan, which are two of Turkey's priority regions for development. With new call center investments in, again, Erzurum and Erzincan provinces, AssisTT is targeting to employ 300 more young people by the end of 2010 and contribute to the economy of the region.

Under the roof of AssisTT across Turkey, 2,881 people are employed as of the end of 2009 at a total of five call centers located in Istanbul, Ankara, Erzurum and Erzincan. This level of achievement in the number of employees translates into a 65% growth compared to the previous year.

TURKEY'S GIANTS IN ITS CUSTOMER PORTFOLIO

Having expanded its customer portfolio in 2009, AssisTT now provides call center service to Turkey's public and private industry leaders. Serving corporate customers like Türk Telekom, TTNET, Sebit, and the Radio and Television Supreme Council (RTÜK), AssisTT started in 2009 to provide call center services to Turkish Airlines (THY), İstanbul Deniz Otobüsleri A.Ş (İDO), communication centers of the Ministry of Transportation and the Ministry of Health, and the e-Government call center. Services provided to THY, one of Turkey's leading brands in the international marketplace, helped AssisTT gain experience in airline industry customer services and strengthen its call center competences.

BUSINESS QUALITY AND TEAM SPIRIT WAS AWARDED

Serim Yılmaz of the AssisTT family received the Best Customer Representative Award at Istanbul Call Center Awards 2009, which event was organized by IMI Conferences. Presented by the most esteemed of call center organizations in Turkey, this award is clearly an outcome of investing in human capital.

INVESTING IN QUALITY AND TECHNOLOGY

During 2009, AssisTT made substantial efforts to improve customer satisfaction and the quality of services it provided. Focusing on quality accordingly, the company restructured its quality and performance processes. The quality and performance management system was given a structure which is more motivating and also enhances the quality of services. During said restructuring, AssisTT was also certified for the ISO 9001:2000 Quality Management System. Activities for certification with the ISO 27001 Information Security Management System have also started.

A total of 175,000 hours of training was made available to the employees, who are the main driver for customer satisfaction and quality. During this process, technological advances were also closely monitored; state-of-the-art technology helped achieve a stronger and more competent infrastructure.

COMPANY DETAILS:
Established In: 2007
Number of Employees (as of 2009 year-end): 2,881
Türk Telekom's Share: 100%
www.assistt.com.tr

SOBEE

SOBEE: A COMPANY OF FIRSTS IN GAMING

Having joined Türk Telekom Group in 2009, Sobee is a professional game developer company which was established in Turkey in 2001. Mevlüt Dinç, founder of the company, has since 1983 created games like Enduro Racer, Last Ninja 2, First Samurai and Street Racer, all of which are very popular with world gamers, and has received many awards in his area.

Presently, Sobee develops interactive 3D multiplayer applications at global scale thanks to its R&D based organizational structure. Central areas of work include the development of the server/client infrastructure to enable multiple players to simultaneously interact with these environments, and the creation of artificial intelligence which enable created interactive environments to run in a real-like manner. Sobee's armament of game development technologies are well capable of creating products that contain interactive 3D environments needed by the entertainment industry and other industries including education, tourism, defense, transportation, retail, etc.

Sobee is based in Istanbul Technical University (ITU) Technocity with another R&D team continuing to operate at METU in Ankara.

Sobee continues to prepare for making available to world gamers those products that have so far been made available to Turkish gamers.

A FIRST IN THE WORLD: I CAN FOOTBALL

The company will be launching two games in 2010: Virtual Kid Pilot and Super Can. With the Virtual Kid Pilot, which will use the Google Earth infrastructure, users of all ages will be able to pilot a simulated plane to participate in an interactive visual application.

And Super Can, which was developed for Türk Telekom's child character Can, is taking sure steps toward becoming Turkey's first game character. That the promotional video of the game was viewed by 600,000 people within a couple of weeks is enough proof.

The I Can Football project, which was launched by Sobee in 2009, enables gamers to simultaneously play online football games in 3D environment with two teams of 11 players each. With this project, Sobee scored a first not only in Turkey but also in the world.

Turkey's first and only colossal 3D online game İstanbul Kiyamet Vakfı MMO was launched in 2007. For the game, whose story takes place in the Eminönü historical peninsula of İstanbul, important cultural places like the New Mosque and the Spice Bazaar were faithfully modeled. The game reached over 500,000 gamers. With developing work underway, İstanbul Kiyamet Vakti MMO was opened to TTNET users as well in late 2009.

COMPANY DETAILS:
Established In: 2001
Number of Employees (as of 2009 year-end): 13
Türk Telekom's Share: 100%
www.sobee.com.tr

In 2009, Türk Telekom was selected “Turkey's Most Valuable Brand” by Capital and Brand Finance. Türk Telekom received over 20 awards at national and international levels for its social responsibility initiatives. Many projects including Türk Telekom Schools and E-Billing Forests got their own share of awards in 2009...

In 2009, Türk Telekom ranked first in the 'Turkey's Most Valuable Brands' survey which has been organized jointly since 2006 by Turkey's respectable economy magazine Capital and the British brand evaluation company Brand Finance. Participating in this first and only brand valuation survey of Turkey in 2009, Türk Telekom was selected “Turkey's Most Valuable Brand,” which ranking is attributable to the investments made in 2008 and 2009 into Türk Telekom's brand, as well as various product and service offerings including voice, data, video, and content services.

HOW WAS TÜRK TELEKOM'S BRAND VALUE CALCULATED?

Calculated by Brand Finance, one of world's prominent valuation companies, the brand value assessment is based on the “royalty” method. “Royalty” signifies the price that the company will get in case it would license the intellectual and industrial property rights of its brand to another company. The calculation takes into account an analysis of the elements making up the company's brand power, as well as turnover and profitability numbers of the company from the last three years, and its potential sales revenues in the coming three years.

TÜRK TELEKOM RECEIVED OVER 20 AWARDS IN 2009

During 2009, Türk Telekom received over 20 awards for many implementations and projects from social responsibility projects to products and services.

Adding value to the lives of its customers through customer-oriented and innovative products and services, numerous achievements of Türk Telekom from Social Responsibility projects to convergence products and online education programs were recognized with awards in various categories at contests organized across a vast geographical area from USA to Europe, and even to the Middle East, which events saw competition between thousands of projects.

TÜRK TELEKOM SCHOOLS

Türk Telekom's gigantic social responsibility project in education, Türk Telekom Schools, received a total of 6 awards in 2009, three of them being grand awards. Türk Telekom Schools merited the “**Best Social Responsibility Project of Europe**” award within the scope of Stevie Awards, which is one of the most prestigious awards worldwide. Having completed, under said project, the construction of 48 schools so far, Türk Telekom received the “**Most Successful Telecommunications Project**” at the **European SABRE Awards**, next to the **Best Educational Project Award** under the **Corporate Social Responsibility** category of the **8th Golden Compass Awards**. While Türk Telekom schools received the grand award in the **Best Community Relations Program** category at the League of American Communication Professionals (LACP), they were also given

certificates of achievement in the fields of **Best Social Responsibility Communication Program** and **Most Sustainable Communication Program**.

E-BILLING FORESTS

Another project which brought Türk Telekom five grand awards and three certificates of achievement at global scale was the E-Invoice Forests which was launched with the objective of contributing to the protection of the environment. Receiving the “**Best Environmental Project**” award in the Corporate Social Responsibility category of **8th Golden Compass**, E-Billing Forests was granted the **Best PR Project** award at the **Golden World Awards** organized by the **International Public Relations Association (IPRA)**. The same project was nominated as the “**Best Corporate and Business Communication**” project at the Excellence Awards organized by the Chartered Institute of Public Relations (CIPR). The project won platinum awards in **Community Relations** and **Employee Communications** categories at the **2009 Magellan Awards** organized by the **League of American Communication Professionals (LACP)**.

WIROFON

The Wirofon technology, which turns fixed lines into mobile, received two grand awards, becoming one of Türk Telekom's most appealing and appreciated projects. Developed by Argela, one of Türk Telekom Group companies, the Wirofon technology was elected by CommsMEA, who “awards excellence,” as “**Best New Telecommunications Service of the Year**,” and it also received the Bronze Award in the Consumer Products/Services category of 2009 Magellan Awards.

EXCELLENCE AWARD TO CORPORATE VIDEO

Directed by Steve Beck, who was on the crew of popular movies like Indiana Jones and the Ghost Ship, the corporate promotional video of Türk Telekom Group received the Grand Award in the “Corporate TV and Video” category at the 2009 European Excellence Awards. In its May 2009 issue, the finance magazine Euromoney announced Türk Telekom as the “**Best Newly Listed Company**” in its ranking list of “**Emerging European Companies**”.



A silhouette of a person's head and shoulders is shown on the left side of the frame. The person's hands are raised, holding a bright sun between their fingers, creating a lens flare effect. The background is a sky filled with scattered white clouds. In the upper left, there is a decorative graphic of a grid of white squares. A semi-transparent grey box on the right contains the text.

We are aware of
our responsibility
for Turkey...

Aiming at creating value not only for its customers but for entire Turkey, Türk Telekom develops projects in numerous areas for serving this purpose. In 2009, Türk Telekom donated and contributed 33,644,220 TL to educational support and other corporate social responsibility projects, and provided scholarships to 225 students.

**INVESTING IN EDUCATION, ENVIRONMENT AND SPORTS;
IN OTHER WORDS, IN THE FUTURE**

With customer oriented and innovative products and services, Türk Telekom aims at creating value not only for its customers but also for entire Turkey, adding value to the lives of Turkish people through gigantic investments in the field of research and development, and technologies developed by the Türk Telekom Group companies.

Türk Telekom is strengthening this contribution with its Corporate Social Responsibility approach and projects paralleling this approach. Türk Telekom Group aims at eliminating inequalities in education through technologies that it develops for the purpose of improving educational infrastructure and increasing access to information and technology across Turkey. Next to projects that serve this purpose, Türk Telekom has helped develop social responsibility awareness with continued support to culture, art, environment and sports. During 2009, Türk Telekom made a total of 33,644,220 TL of donations and aids into educational support and other corporate social responsibility projects, and also offered scholarships to 225 students.

EDUCATION

A GIGANTIC PROJECT IN EDUCATION: TÜRK TELEKOM SCHOOLS

Providing Turkey's communication infrastructure, Türk Telekom is building educational facilities in various provinces of Turkey under the 'Türk Telekom Schools' project, which it had launched for the purpose of investing in the future. With a total of 76 educational facilities to be built under the "Full Support to Education" project within the framework of the protocol signed with the Ministry of National Education and the Ministry of Transportation, Türk Telekom aims at contributing to both the educational activities and the social development of students.

Within the scope of this project, which is regarded as one of the biggest Social Responsibility activities implemented in the field of education in Turkey, a total of 13 educational facilities including six schools, three dormitories, two gyms, one multipurpose hall and one multi-program special education and rehabilitation center in a total of nine provinces were completed and delivered to the Ministry of National Education in 2009. As of the end of 2009, around 30,000 children are receiving education in a total of 72 educational buildings. Once the project is completed, over 30,000 students will be availing themselves of modern educational facilities.

TARGET: INTERNET FOR ALL

With another Corporate Social Responsibility project of Türk Telekom in the field of education, Internet Houses with an average of 20 fully-equipped computers and broadband internet access are being opened and made available to citizens free of charge. Under this project, 70 internet houses were opened and delivered to local authorities in 2009. From the beginning of the project until the end of 2009, a total of 932 Internet Houses have been commissioned. Once the project is completed, a total of 950 Internet Houses in 81 provinces will have been commissioned.

LET ALL HAVE VİTAMİN!

Vitamin, which is the interactive educational software developed by Sebit, one of Türk Telekom Group's subsidiaries, supports the generalized application of educational technologies at schools. Türk Telekom first offered Vitamin free of charge to 33,000 public primary schools during the 2008-2009 Educational Period. Free downloads of the Vitamin educational kit was also made available to all public primary school teachers at www.mebvitamin.com. While around 150,000 teachers used Vitamin, around 600,000 students have made free use of Vitamin up to the present day.

And Vitamin Lise, which contains subjects like Mathematics, Physics, Chemistry, Biology, Language & Expression and History, was donated to around 5,900 high schools during 2009, which made it accessible to around 4 million students free of any charge.

CHILDREN: THE BUILDING BLOCKS OF OUR FUTURE

Türk Telekom supports yet another event for supporting its Social Responsibility activities in education, and to implement projects that add value to children: Türk Telekom is the main sponsor of the traditional festivities organized across Turkey for the April 23 International Children's Day, which is the first and only children's day, which was presented to world children by Atatürk, the founder of the Republic of Turkey, and is celebrated across the whole world. At the traditional festivities organized in Turkey for the April 23 International Children's Day, which has been celebrated since 1979, we have up to the present day accommodated 20,000 children and 5,000 group leaders from 90 different countries.

In 2009, about 1,500 children from 71 countries attended the festivities which were organized under the main sponsorship of Türk Telekom. Türk Telekom will continue to be the main sponsor of Children's Festivities of April 23 until 2012.



Over 12 million customers who extended support to the E-Billing Forests project developed by Türk Telekom contributed to tons of savings on paper and the protection of environment. Türk Telekom also planted 75 thousand trees for a sustainable environment.



ENVIRONMENT

A SUSTAINABLE ENVIRONMENT, A SUSTAINABLE LIFE
CUTTING BACK ON PRINTED INVOICES GAVE BIRTH TO NEW FORESTS
By virtue of a Ministry of Finance approval, Türk Telekom started the electronic invoice (e-billing) era on February 1, 2008 for the first time in Turkey. Sending electronic invoices to those customers who applied for e-billing at www.turktelekom.com.tr, or by calling 444 1 444, Türk Telekom saves twice on paper by keeping its own copy of the bill in electronic environment as well. As of the end of 2009, over 12 million Türk Telekom Group customers switched to the e-billing service, helping both save on tons of paper and protect environment.

Acting on environmental consciousness, Türk Telekom launched in 2008 the “E-Billing Forests” project, starting out to plant 100,000 trees across Turkey through its Provincial Directorates. 52 Provincial Directorates planted a total of 75,000 trees during 2009.

TECHNOLOGY

STATE-OF-THE-ART SEISMIC OBSERVATION TECHNOLOGY TO BE INSTALLED IN MARMARA SEA
The Seismic Data Transmission Platform Project (sVIP), which was launched by Türk Telekom in March 2008 in cooperation with Bosphorus University Kandilli Observatory and Seismic Research Institute, aims at installing world's most advanced seismic observation technology in Marmara Sea.

The Underwater Observatory, which is currently being built, will satisfy the need for a seismic station in Marmara Sea and its south, making real-time and uninterrupted underwater observations of the seismic activity in Marmara Sea for the first time. With the project titled “Seismic Data Transmission Platform -sVIP,” it will be possible to make more sound calculations as to the epicenter and magnitude of earthquakes, to create a databank through real-time data tracking, and to provide the public with faster and more reliable information.

CULTURE AND ARTS

TÜRK TELEKOM SUPPORTS İSTANBUL MUSEUM OF MODERN ART
Türk Telekom also invests in cultural and art projects for the purpose of "developing, maintaining, universalizing and passing onto next generations the Turkish cultural heritage." Accordingly, Türk Telekom supports Istanbul Museum of Modern Art as one of its main sponsors, which museum is the first contemporary arts museum of Turkey, and will go on tour from Istanbul to London, Vienna and Berlin with exhibitions of its own production.

FİKRET MUALLA CARD COLLECTION
Supporting arts for the purpose of developing, universalizing and passing onto next generations our cultural heritage, Türk Telekom launched the "Counter Card Collection" project jointly with Istanbul Museum of Modern Art, whom it has been sponsoring since 2008. The counter card collection series included pieces by world-famous artist Fikret Mualla, which are currently in the collection of Istanbul Modern.

SPORTS

TÜRK TELEKOM SPORTS SCHOOLS PREPARED 30,000 ATHLETES IN 10 YEARS
Contributing to the fundamentals of sports, Türk Telekom Sports Schools have prepared 30,000 athletes in 41 provinces in 10 years. At these schools, over 3,500 athletes belonging to 15 different branches from badminton to fencing, from tennis to cycling were trained in 2009 alone.

With those sports schools of Türk Telekom that were opened in 2009, the number of athletes prepared by Türk Telekom's Sports Schools over a period of 10 years exceeded 30,000. With sports clubs in 41 provinces, Türk Telekom has a vast sports infrastructure. Thanks to Türk Telekom's sports clubs, many sports facilities were built in Turkey's different provinces, which were opened to employees, and to young people and locals who are into sports.

SUMMER SCHOOLS OPENED IN SEVEN PROVINCES
In addition to full-time sports schools in 21 provinces, which operate under Türk Telekom, sports training was also given to young people through summer schools in seven provinces. While the number of those who received football training at full-time sports schools in 2009 was 1,049, this number was 125 for summer schools. While 743 people at full-time schools and 135 people at summer schools preferred basketball as their second branch of sports, swimming was the third most popular

Türk Telekom's Sports Schools prepared 30 thousand athletes in 10 years. Trained in 15 different branches in 41 provinces across Turkey, the athletes achieved to represent Turkey in international competitions as well...



branch with the participation of 248 people at full time schools and 100 people at summer schools.

Türk Telekom Sports Schools prepare athletes not only in mass sports like football and basketball, but also in branches like badminton, tennis, fencing, skiing, athletics, cycling, volleyball, handball, swimming, table tennis, taekwondo, judo and wrestling. Preparing young athletes at these sports schools, which have so far prepared roughly 30,000 athletes, Türk Telekom contributes to national sports infrastructure and prepares athletes for national teams.

TÜRK TELEKOM SPORTS TEAMS RODE HIGH IN 2009

Türk Telekom's sports clubs, yet again, went from success to success in almost all branches in 2009. Here are some of the achievements of Türk Telekom sports teams and clubs in 2009:

Balkan Champion title in taekwondo

At Turkey Cadets Taekwondo Championship, Konya Türk Telekom Sports Club achieved a Turkey Champion title in 59 kg, Cadet Women, Turkey Third Place in 29 kg Cadet Women, and Turkey Fifth Place in 51 kg Cadet Women.

At the Turkey Interschool Taekwondo Championship, Turkey First Place and Turkey Third Place were achieved in 29 kg and 51 kg respectively.

At the European Cadet Women's Taekwondo Championship organized in Croatian capital Zagreb, Türk Telekom's sports clubs brought Turkey

Europe Second Place in 59 kg, and Balkan Champion title at the Balkan Cadet and Under-21 Taekwondo Championship.

Turkey First Place title in athletics

In the field of athletics, Erzurum Türk Telekom Sports Club won the First Place in Turkish Clubs Cross Championship.

Turkey Second Place title in triathlon and cycling

Sakarya Türk Telekom Sports Club achieved Turkey Second Place in the Master Men's Category of the competitions organized by the Turkish Triathlon Federation, and Teams Turkey Second Place in the general class of the Inter-club Cycling Competition.

Going to the Super League in handball

Kastamonu Türk Telekom Sports Club grabbed first place in the Turkish Women's 1st Handball Displacement League, which achievement placed the Club in Women's Handball Super League.

Turkey Champion title in wrestling

Artvin Türk Telekom Sports Club achieved Turkey Champion title in 55 kg cadets, Turkey second place at 43 kg, 52 kg and 51 kg in the Juniors category, Turkey third place at 52 kg, 44 kg and 66 kg in the same category, and Turkey fifth place at 57 kg at the Turkey Women's Freestyle Wrestling Championship. Of the placed athletes, Fatma Gülbin (Turkey second place, 52 kg, Juniors) and Eda Gökçelik (Turkey champion, 55 kg, Cadets) were invited to the candidate team to represent our National Team at the European Juniors Championship. And the other placed athletes were

included in National Team candidates to compete in the European Cadets Championship which was held in July in Serbia.

Türk Telekom's judoists were invited to the National Team

Athletes of Manisa Türk Telekom Sports Club ranked Turkey champion in 70 kg women, Turkey third place in 48 kg women, Turkey second place in judo competitions in 60 kg men, and Turkey second place in Freestyle Wrestling competitions in 48 kg women at the Turkey Interuniversity Judo and Wrestling Competitions. In addition, two athletes of Türk Telekom were invited to the Turkish National Team to represent Turkey in international women's competitions.

Sivas Türk Telekom Sports Club received the provincial champion title in the Wu Shu branch, sending three athletes to the National Team for representing Turkey at the World Championship held in Canada. During said event, one athlete of ours achieved World Fourth place.

This year's Bosphorus Judo Tournament, which is the 23rd instance of the said event, was the home of great success. Representing Turkey at 63 kg, National Judoist Nurcan Yılmaz of Erzurum Türk Telekom Sports Club was crowned champion in a tournament of 15 competing countries.

At the Judo and Kurash Federation Turkey Men's and Women's Senior Championship, which was held in Samsun with the participation of 389 athletes from 34 provinces, Nurcan Yılmaz again became champion in 63 kg women. For this achievement, Yılmaz was picked for the National Team to represent Turkey in international competitions.

Champion title in table tennis

Türk Telekom's Sports Clubs spent a successful year in table tennis as well. Table Tennis Team of Ankara Türk Telekom Sports Club came second in competitions with athletes from all ages and categories at the International Veterans Table Tennis Championship, and became Tournament Champion in competitions of the 30-39 age groups. Having become provincial champions in table tennis, Adana and Muğla Türk Telekom Sports Clubs represented both their provinces and Türk Telekom at the Turkey Table Tennis Championship.

Achievements in football, basketball and swimming

Türk Telekom Ankara Youth and Sports Club U-17 Juniors Football Team achieved Turkey second place in the Turkey Juniors Championship.

Cadet Football Teams of Türk Telekom Sports Clubs from Sivas, Gümüşhane, Rize and Denizli achieved to represent their provinces and Türk Telekom in the Turkey Cadets Championship.

In basketball, while Young Telekom Basketball Team achieved Turkey second place in Super Juniors Displacement League, Afyon Türk Telekom Sports Club Basketball Team joined the Turkey Championship.

And while Eskişehir Türk Telekom Sports Club became provincial champion in all branches of swimming, they also sent 4 swimmers to the National Underwater Hockey Team.

A hand is shown from the bottom left, with the index finger pointing upwards towards a digital interface. The interface consists of several rounded rectangular buttons. The button being pointed at is highlighted with a bright white glow and contains a grid of white squares. To the right of this button, a semi-transparent grey box contains the text "Offering products of convenience wherever technology is...".

Offering products of
convenience wherever
technology is...

In line with its customer-oriented approach, Türk Telekom continued in 2009 to develop products and services that add value to its customers' lives, and to approach its customers from a service- and solution-oriented perspective. Paying attention to use habits of its customers, Türk Telekom uses these habits as a stepping stone for developing technologies of convenience, and increasing the diversity of possibilities offered by developed technologies. Having both offered its customers new products and services, and improved its existing products and services throughout the year, Türk Telekom seriously invested into service quality in order to improve customer satisfaction in all areas.

POCKET-FRIENDLY TECHNOLOGY FROM TÜRK TELEKOM: WIROFON

As Turkey's leading telecommunication and convergence technologies group, Türk Telekom added Wirofon to its added-value products and services in 2009 with the technology and innovation it developed.

Thanks to Türk Telekom's Wirofon technology, it is now possible to use one's mobile phone to place calls over the home line at Wi-Fi hotspots. Calls that are placed from a mobile phone using the Wirofon technology are priced over the home phone tariff. Using the Wirofon technology, one can also make calls on the computer at places with internet access, which means that it can be used at any Wi-Fi hotspot in Turkey or across the world.

The only prerequisite for using the Wirofon service is a fixed line number from Türk Telekom, and a WiFi compatible mobile phone with SIP Protocol support or Windows Mobile operating system, or a computer that has access to internet. Offering ease of use and cost advantage in the same package, Wirofon requires no additional subscription fee. Furthermore, it is possible to make simultaneous calls with just one number to be defined for Wirofon subscription.

A HEALTHY MOVE WITH VIDEOFON: THE VIDEO DOCTOR ERA

Türk Telekom started to offer video medical coaching service to Videofon users through the Videofon Clinic service developed jointly with Acıbadem Mobile Healthcare Services. Videofon Clinic service provides guidance to customers in medical issues, providing professional support over Videofon in the assessment of risk factors.

Videofon customers can use the Videofon Clinic service free of any additional charges by calling the 444 0 TIP Videofon Clinic line, whence they can receive instant coaching on all kinds of health problems, up-to-date information and developments from the healthcare world, and on-call pharmacy information.

The only prerequisite for using the Videofon Clinic service is to become a Türk Telekom Videofon customer. Videofon's Avantaj 3000' and Avantaj 150' packages, through which Türk Telekom offers 3,000 minutes of calling time for 19 TL/month (including all taxes), and 150 minutes for 12.90 TL respectively, include free installation and a free video phone device.

OTHER DEVELOPMENTS ABOUT VIDEOFON

In the meantime, two new developments took place on the Videofon front in 2009. Video phone service without internet access was introduced for enabling use of Videofon services for those customers who do not wish to receive Internet service. In addition, Videofon customers, who used to receive a closed-circuit service, were allowed to originate calls to PSTN and GSM direction.

NEW ADSL PACKAGES ARE FASTER

With a view to provide ADSL users with new alternatives, various new packages were offered during 2009.

During March, users of the entry-level 1 Mbps package with 4 GB quota were offered the 2 Mbps 4 GB package in order to upgrade them to two times faster internet access. In addition, a new 8 Mbps ADSL package



was launched on top of the 4 Mbps package, which was then the highest speed available to unlimited users.

Again within the same month, two new packages were added to those ADSL packages that had been offered to serve the Ministry of National Education and its affiliated schools, institutions and companies, providing said recipients with internet access at 2 Mbps and 4 Mbps.

In June 2009, a new approach was implemented whereby all ADSL packages of up to 8 Mbps speed were brought under a single price, and new limited and unlimited internet packages of up to 8 Mbps were offered to Internet Service Providers over Türk Telekom's infrastructure. These packages offer customers the highest speed possible up to 8 Mbps, provided that their lines support such speed. As of the end of 2009, the ratio of 8 Mbps internet service users to total ADSL customers was 33%.

ALTERNATIVE SPEED PACKAGES AND POSITIVE DISCRIMINATION TO INCREASE INTERNET PENETRATION

In order to enable Internet Service Providers (ISPs) to offer alternative speeds, Türk Telekom offered in 2009 an unlimited 8 Mbps package, a social package with 512 Kbps quota, and high-speed packages up to 8 Mbps of speed. Upon request from operators, ATM-Level Bitstream Model was developed and made commercially available. While the market grew, the positive discrimination, which had been introduced in 2008 in order to facilitate market entry for service providers who do not have dominance in the market, to increase competitiveness by relieving the financial burden of enterprises, and to balance the market, continued into 2009.

Being sold to service providers through the Resale and Bitstream models, the number of installed ports for ADSL internet service increased in 2009 to 8,393,904. In 2009, the number of active operators selling ADSL through the Bitstream model was 11, while that of active operators selling through the Resale model was 15, and the number of operators with active sales under LLU was 10.

In order to meet the increasing bandwidth need of the corporate market, 622 Mbps, 2.4 Gbps and 10 Gbps lease line tariffs, and 2 Mbps, 5 Mbps and 10Mbps metro ethernet tariffs were introduced. Campaigns were made in lease lines whereby customers are not charged with monthly fees and connection fees.

In order to manage sales and post-sales service needs of wholesale level operators, an Operator Service Support (Call Center, NOC, SAM) project was launched and is currently in progress.

IPTV AND WEB TV BEING TESTED FOR BROADCAST

Türk Telekom completed installation works for two important projects in 2009, and moved on to test broadcasting. Within the scope of the IPTV project, installation of the main broadcasting center was completed. Content of around 70 channels and 200 videos is presently being offered of this platform. Initially, 2,100 test users were served.

Having created a main broadcasting center under the Web TV project, a content repository containing 43 channels and 150 videos is presently being offered over the platform. Within this scope, test broadcasts are being made to 21,000 people who are Türk Telekom employees.



NeTTe ÇOCUK VAR: YOUR CHILD IS SAFE, EVEN ONLINE

In October 2009, a new ADSL value-added service, the content filtering service titled "NeTTe Çocuk Var," was offered to parents who wanted their children to use the internet safely. With this service, filtering is done for websites in the detected categories of "Risk/Fraud/Crime, Drugs, Inappropriate Behavior/Violence, Pornography/Nudity, Game/Gambling, Flirting/Friendship, and Social Network Communication," preventing children's access to these websites.

VİTAMİN LİSE

Launching Vitamin İlköğretim for primary schools in 2008, Sebit developed and offered Vitamin Lise for high school students in 2009. Vitamin Lise is a smart educational support tool which offers customized learning possibilities in an online environment. It helps high school students with their school routine, and helps them prepare for the Test for Transition to Higher Education (YGS), and Undergraduate Placement Tests (LYS). It offers students a fast and practical studying environment. Vitamin Lise is compatible with the curriculum of the Ministry of National Education. Presenting topics in a graduated fashion, moving from basic to specific instructions, it helps students prepare both for school exams and for the student selection and placement test (ÖSYS). Vitamin Lise includes an English section in addition to subjects like mathematics, language and expression, physics, chemistry, biology and history. Homepage: www.vitaminlise.com.tr

VİTAMİN TEACHERS PORTAL

Being an online area for information and sharing, Vitamin Teachers Portal aims at helping teachers improve their level of professional competence



by way of following up national and international developments. In this portal, teachers may attend trainings watch educational videos, exchange knowledge and experiences with colleagues, and share documents. In addition to personal, professional or academic trainings, Vitamin Teachers Portal also presents sample applications relating to the classroom use of Vitamin, the educational software developed by Sebit.

In this model, whereby multiple online users can attend a session simultaneously, and one-on-one training can be provided over virtual classrooms, participants can watch the instructor on the computer screen, and make live inquiries or comments. Upon completion of the training, recordings of live training sessions are also shared in the portal, along with many other educational videos, for those who missed them or would like to benefit again from them. The web address is <http://www.vitaminogretmen.com.tr>.

VALUE ADDED SERVICES IN 2009

In 2009, Türk Telekom continued its efforts for diversifying and developing value added services:

Free payphone call campaign for children

Türk Telekom continues to extend support to education through its one minute free call campaign which covers around 7,000 payphones at primary and secondary schools, high schools and private training centers across Turkey. Thanks to the campaign, calls from schools have increased by an average of 20 times compared to the previous year. Enabling students to place free calls with their families, this campaign is best suited for educational institutions where use of mobile phones is not allowed.

Added-value services offered in series to Türk Telekom customers came in a very wide range: Free calls from payphones for children, Multimatik combining many communication services at a single point, and special service numbers and teleconference services are some examples. Many consumers availed themselves of Türk Telekom's sales campaigns focusing on introduction and generalization. Throughout the year, Turkish people were appealed by millions of free minutes, applications like NeteDaveTT for increasing internet use, and numerous campaigns for Wirofon and other services.

The campaign will be in effect until June 30, 2010. At payphones covered by the campaign, free local calls may be placed without a call card, while calls to other directions may be placed with a call card or for a charge.

Multiple communication with MultiMatik

MultiMatik, which is the combination of Garanti Bank's Paramatik and Türk Telekom Nokta, integrates banking services and various communication services like phone calls and internet access in a single point. In this approach, Garanti Bank Paramatik machines and Türk Telekom's multimedia pay phone service Türk Telekom Nokta have become communication hotspots. With Garanti Bank's Paramatik on one side and Türk Telekom Nokta on the other, MultiMatik is a one-stop-shop for various internet services on top of its ATM features, enabling customers to make phone calls, send SMS or e-mails, or browse the web.

444 special service numbers

The 444 Special Tariff was launched as of April 2009. And the 444 Firsatt Campaign was announced in June 2009 and continued until November 2009.

444TPLT

The 444TPLT Teleconference Service was launched as of July 2009. The service is capable of supporting teleconferencing service between 2 to 15 people.

INTERNATIONAL SERVICES

International calls reached 438 million minutes

Offering international services like voice, ISDN, data, satellite, internet, INMARSAT and telex to retail and corporate customers, Türk Telekom yet again launched the TUITALK service in 2009 as a result of joint efforts with the Argela-USA company. Thanks to this service, customers were able to call 46 countries over the internet. International telephone traffic over Türk Telekom's switches reached around 483 million minutes in 2009.

Telex traffic was 320,000 minutes

As of 2009 year-end, telex communications were carried out at the Telex Company with a total of 74 countries, seven of these being direct and 67 being transit. The international outbound telex traffic to go through Türk Telekom's telex switches has reached around 320,000 minutes.

CUSTOMER SATISFACTION

In order to increase the satisfaction of Türk Telekom's customers, special teams were created in 2009 at offices and at the call center. Aiming at offering customers a superior customer experience, these teams have been attending intensive trainings. And at renovated offices, Customer Retention Management (MEY) rooms are being created. Over 900 Türk Telekom employees are working in these rooms, which were created for

enabling one-on-one contact with customers, listening to their problems in more detail, coming up with more effective solutions for these problems, and offering hospitality to them in a modern and comfortable environment.

Sales channels were transformed

In 2009, Türk Telekom strengthened its competitive structure, creating a segment-based sales organization which, in a proactive way, touches its customers on all channels. With this new organization, an aggressive transformation program was started in sales channels for retail, small and medium sized enterprises (SMEs), bigger customers and public.

CAMPAIGNS

Wirofon came along with a campaign of its own!

Within the scope of Türk Telekom's campaign for introducing Wirofon to Turkey, the first 100,000 people to become Wirofon customers were given 1000 free minutes every month out of calls made over Wirofon to domestic home phones. Within this campaign, a minute of mobile call was priced at 9 Kurus including all taxes. In addition, under this campaign, no additional fees were charged for Wirofon access at TTNET hotspots until the end of the year.

Product campaigns

The LG NeTTbook campaign reached a sales figure of 20,000 in ten days. And the LG Eigen mobile phone campaign, which included the Wirofon service, sold 11,000 in 15 days. Total sales target was defined as 20,000. In addition, 432,000 DECT phones were sold under the DECT Campaign. Campaigns were made to sell netbooks and notebooks in 24 installments on credit card, which sold 16,000 units. In 2009, Türk Telekom was awarded the tender to install Urban Security and Management Systems for 11 provinces.

Millions of free minutes

With campaigns made during 2009, Türk Telekom gave free call minutes to hundreds of thousands of its customers. Being the first of these, the "Konuşturam Kampanya" gave hundreds of free minutes to 100,000 customers who committed to an average bill for 2008. And with the "Information Updating and Survey Campaign," information of over 120,000 customers was updated, customer satisfaction surveys were made, and survey participants received 100 free minutes for 12 months. And with the "Transfer Campaign," customers whose numbers changed due to transfer of the line were given 100 free minutes. This was in order to allow 135,000 line-transferring customers to communicate their new numbers without any concern, and to eliminate any unpleasant experiences to be potentially caused by changing numbers.

NeteDaveTT for encouraging internet use

In October 2009, Türk Telekom launched a campaign in 50 priority



provinces for development for increasing ADSL use. A new entry level package was launched, under the name NeteDaveTT, which package was offered at prices lower than other packages, and at a speed of 512 Kbps with 512 MB limit.

Positive discrimination to increase internet penetration continued
Türk Telekom's support for helping increase internet use continued in 2009 as well. Accordingly, in order to make it easier for internet service providers to find customers in the ADSL market, Türk Telekom offered promotions whereby new customers are not charged for initial connection and exceeded quota.

MARKETING-ORIENTED SPORTS ACTIVITIES

For the youth, for Turkey: Türk Telekom and sports investments in 2009
Attaching a lot of importance to sports and sports investments since its first day, Türk Telekom continued sports investments and activities in 2009, which have followed an increasing trend in recent years. Through sports investments and sponsorships, Türk Telekom aims at contributing to sports awareness and culture in Turkey, and to strengthen Turkey's position in international platforms. Türk Telekom organized and sponsored numerous sports events in 2009 for contributing to the nurturing of universal values of sports in Turkey, and helping prepare world-class athletes who will successfully represent our country at international level.

Football's unifying power for the four major teams

Türk Telekom provides sponsorship support to Galatasaray, Fenerbahçe, Trabzonspor and Beşiktaş sports clubs. Within this context, the new



stadium of Galatasaray Sports Club, which is currently being built in Seyrantepe, was named Türk Telekom Arena, a Türk Telekom Tribune was opened at Fenerbahçe Şükrü Saraçoğlu Stadium, and Ankara Gölbaşı FB Türk Telekom Facilities were also opened. In addition, AVEA, one of Türk Telekom's group companies, supported the four major football teams as a virtual operator, using its strong infrastructure to offer football supporters special tariffs and services and the GSMobile, Trabzoncell, Fenercell, and Kartalcell brands.

Support to all branches

Türk Telekom is present in many sports branches with its own teams. Türk Telekom is at the heart of sports with Senior Men in the Beko Basketball League, with the Junior Telekom Basketball Team in Group B of Basketball 2nd League, with its football team playing in the 2nd League of Turkey, and with the Kastamonu Türk Telekom Women Team competing in the Women Handball Super League. In addition to the foregoing, Türk Telekom provides sponsorships to support the Turkish Olympics Team, Senior Men, Junior Women and Men, Cadet Girls and Cadet Boys Volleyball National Teams, the four major football teams, sports schools and many sports federations, and professional and amateur sportsmen and athletes, continuing to contribute to the modernization of sports facilities everywhere in Turkey.

During 2009, Türk Telekom supported Turkish athletes in the following areas:

Sponsorships were given to world-famous Turkish motor racers at worldwide racing events. Türk Telekom contributed to the promotion of Turkey in high-profile events like the Dakar Rally and the Transorientale Rally.

As it had always done since its first day, Türk Telekom continued to support sports in 2009. Sponsoring Galatasaray, Fenerbahçe, Trabzonspor and Beşiktaş football clubs, Türk Telekom supported not only football, but many sports branches from basketball to volleyball, and handball to swimming.

Technical equipment was provided to stadiums in certain Anatolian provinces like Eskişehir Stadium, Van Stadium, Rize Stadium, etc., resources were made available for improving conditions in stadiums across different provinces, and various efforts were made in parallel to said contributions for increasing the sports brand awareness of Türk Telekom.

Türk Telekom attaches a lot of importance to healthy mental and physical development of children and young people; trying to make sure that children can integrate in their social lives the sense of discipline and competition, which comes from sports. Therefore, in parallel to the support and importance it gives to own infrastructure activities, Türk Telekom also continues to support other various infrastructure sports clubs, contributing to the infrastructure and facilities of Youth and Sports Clubs in many provinces.

Investing in all branches of sports from football to basketball, handball to volleyball, and swimming to taekwondo, Türk Telekom's efforts were awarded in 2009 by the Contribution to Turkish Sports Award, which is granted every other year by the Prime Ministry DG of Youth and Sports.

International Cadet Boys Basketball Tournament came to Turkey

Another important sports event which Türk Telekom has sponsored was the Türk Telekom International Cadet Boys Basketball Tournament. Organized in the 16 age group, this event is the biggest and most prestigious preparatory tournament of Europe.

Jointly organized with the Turkish Basketball Federation with the attendance of tens of European cadet national teams in European level and format, and having Türk Telekom's name and sponsorship for the last two years, this tournament will be organized throughout 2010 and 2011 under the sponsorship of Türk Telekom.

Türk Telekom's Basketball Photography Contest for Photojournalists

For appraising the efforts of sports press and promoting the work of photojournalists, Türk Telekom organized, for the second time, the Türk Telekom Basketball Photography Contest for Photojournalists in 2009.

Türk Telekom HIF 2009 Interinstitutional Football Tournament

The tournament, which was organized for spreading the UEFA's principle of increasing the coverage and penetration of football and fair play around the world, was held with the participation of around 500 sportsmen / public employees over the age of 30, who were given special sports licenses issued by the Turkish Football Federation in accordance

with HIF rules. The tournament took place at Türk Telekom's Macunköy Sports Facilities.

Izmir CUP and WTA Istanbul Cup

Jointly organized by the Association of Tennis Professionals (ATP) and the Turkish Tennis Federation, the "Izmir Cup," which features professional tennis players, is regarded as one of the most important steps on the way to world's top tournaments, and it is sponsored for a second time by Türk Telekom this year. Türk Telekom also sponsored the WTA Istanbul Cup tournament, which is deemed an important step of the 2009 professional women's series.

Türk Telekom has full coverage across Turkey; in sports as well...

Having become the Main Sponsor of Senior Men, Junior Women and Junior Men, Cadet Girls and Cadet Boys Volleyball National Teams, Türk Telekom provides administrative as well as financial and materials support to Türk Telekom Sports Clubs in 41 provinces.

Providing infrastructure and organizational support in 2009 to the Turkish Wrestling Federation, Turkish Judo and Kurash Federation, Turkish Fencing Federation and the Turkish Basketball Federation, other sports contributions by Türk Telekom in 2009 are as follows:

Türk Telekom Izmir CUP Tennis Tournament (name sponsorship), Türk Telekom International Cadet Boys Basketball Tournament (name sponsorship), Vakıfbank Güneş Sigorta Türk Telekom (Team Merger and Uniform Advertisement), Türk Telekom Kayseri Cup (International Tournament), Transorientale and Dakar Rallies (Main and Co-Sponsor).





Always
more than
just
a voice...

In 2009, Türk Telekom continued to invest in infrastructure without slowing down. While broadband data transmission platforms were a priority in this context, wireless access points were not forgotten either. The number of WLAN points at many places like airports, train stations, bus terminals, ferry ports, marinas, stadiums, banks, etc. increased to 6,258.



In 2009, Türk Telekom took absolutely no breaks from investing, aiming to increase user satisfaction through increased service quality and diversity. On top of activities which gave rise to substantial transformations in infrastructure, projects and measures for improving in-house efficiency were among other noteworthy activities.

CONVERGENCE DISTANCE WILL DECREASE

The External Access Systems (HAES) Transformation Project, which was initiated by Türk Telekom for the purpose of shortening the convergence distance and delivering higher quality services to customers, is still in progress. Surveys have shown that 32% of the customers are at a distance of less than 1 km from the switch, 59% are between 1 to 3 kms, 9% are over 3 kms.

For transformation of areas within the 1 to 3 kms distance band, which corresponds to 80% of all HAES, over 300 million TL was invested into the installation of 7,500 new HAES as of the end of 2009. With this addition, installed 32 xDSL port capacity of Türk Telekom increased to 864,000 as of the end of 2009.

TAKING FIBER-TO-THE-HOME TO PROVIDE BROADBAND AT LOW COST

The fiber-to-the-home (FTTH) technology is a broadband data transmission platform created for delivering content to each user at desired bandwidth in separated settlement areas like gated communities, private residences, organized industrial zones, etc.

On top of telecommunication services provided in Organized Industrial Zones, projects were also launched under Türk Telekom's leadership to provide turnkey SCADA systems needed by regional managements. While

the project is underway in Organized Industrial Zones in Bursa, Sakarya, Kayseri and Bilecik, the project is planned to expand in 2010 to cover new provinces including Kocaeli, Uşak, Denizli and Manisa. Türk Telekom completed switch tests with 6 different companies for the GPON (Gigabit-Per-Second Passive Optical Network) system, which is one of the most important applications of the fiber-to-the-home technology, making the system ready and available for the field tests and implementations which are planned for 2010.

BANDWIDTH INCREASING, INTERNET GETTING FASTER

For meeting Türk Telekom's international transmission requirement for the next two years, contracts were signed in 2009 for 50 Gbps bandwidth in addition to the 110 Gbps activation from 2008. And improving connections with neighboring countries, interconnection bandwidth with regional countries was improved, and fiber protection sleeves were also activated. In addition to the foregoing, a new interconnection was made with Iraq, completing activities for increasing redundant capacity. Internet bandwidth was also increased in 2009 in line with customer requests, going from the level of 250 Gbps up to 400 Gbps.

INFRASTRUCTURE GROWTH EXPRESSED IN NUMBERS

FIBER OPTIC CABLE INVESTMENT AND INSTALLATION

The total length of fiber optic transmission cables across Turkey, which was 110,708 km as of 2008 year-end, reached 112,950 km as of 2009 year-end.



And the total length of fiber optic access and transmission cables increased from 120,481 km to 128,150 km as of 2009 year-end.

FIBER OPTIC ACCESS CABLE INSTALLATION

In order to increase broadband capacity and quality, 7,159 km of fiber optic access cables were installed in 2009, reaching a total length of 16,932 km.

WIRELESS LOCAL AREA NETWORK (WLAN)

Paralleling worldwide practices, Türk Telekom provides service infrastructure for enabling wireless internet access across public spaces.

Accordingly, the existing WLAN network was renewed in early 2009, and with management systems deployed in 5 separate centers, the network was made more efficient and accessible. As of the end of 2009, the system is still active at 6,258 wireless hotspots with an infrastructure that supports a total of 20,000 wireless access points.

Within the scope of the project, broadband internet service was offered to users in many public spaces across Turkey like all airports of DHMI, train stations, bus terminals, ferry ports, marinas, stadiums, banks, gas stations, prominent food and beverage chains, parks and recreational areas. In addition, efforts are underway to turn street payphone locations into Wireless Access Points.

IPTV INVESTMENTS

Within this scope, installation of the main broadcasting center was completed. Installation of a total of 8 broadcasting end units, 2 of which are in Ankara, 2 on the Asian Side of Istanbul, 2 on the European Side of



Istanbul, and 2 in Izmir, was completed. A content repository containing around 70 channels and 200 videos is being offered over the platform. Services were offered to 21,000 test users in the initial stage.

WEB TV INVESTMENTS

Within the scope of this project, a main broadcasting center was created. Installation of a total of 10 broadcasting end units, 2 of which are in Ankara, 2 on the Asian Side of Istanbul, 2 on the European Side of Istanbul, and one each in Bursa, Antalya, Adana ve Izmir, was completed. A content repository containing 43 channels and 150 videos is presently being offered over the platform. Within this scope, test broadcasting is being made to 21,000 people who are Türk Telekom employees.

MOBESE AND OTHER PROJECTS

For information security applications, investment was made into hardware, software, switch, etc. required in order to provide 150 Gbps firewall, 10 Gbps content filtering /anti-virus 28 Gbps intrusion prevention system (IPS) services. The ISO 27001 Information Security Standard and Certification Project was initiated. "Information Systems Security Weaknesses and Certification Compliance Management" project was initiated in order to enable the automation of information security scanning tests.

Within the scope of Corporate Security Services, a total of 51 customers are presently being served at 36,505 locations. An investment was made into a data center system room of 600 square meters excluding office areas, around 200 cabins and redundant 2000 KVA power infrastructure in two floors of IDC-2, Istanbul Gayrettepe Building, for offering data center, disaster recovery and virtualization services to external customers.



We see life not from
a single angle,
but from all angles...

Turkey's communications giant Türk Telekom drives tomorrow's world of communication through R&D activities. Projects which are developed around such concepts as

Web TV, Smart Home, etc. are among activities that hold a significance to wrap around daily life. Participated actively by companies of the group, R&D activities add value both to the company and to Turkey.

R&D EFFORTS BRINGING BREAKTHROUGH SERVICES TO HOMES AND OFFICES!

As a necessity arising from its leading role in the telecom industry, Türk Telekom and its group companies gave impetus to Research and Development activities in 2009 by creating an R&D Department reporting directly to the CEO. Türk Telekom's R&D projects were implemented in collaboration with subsidiaries, business partners and other academic institutions.

Türk Telekom signed an R&D contract in 2008 with DAI-Labor (Berlin Technical University Research Center) and Anel Ar-Ge, DAI-Labor's partner for Turkey. The target of this contract was to develop a minimum of six R&D projects each year. As a result of collaboration between Türk Telekom, DAI-Labor and Anel Ar-Ge, projects named Web TV, Smart Personal Assistant, Smart Energy Assistant, Smart Cooking Assistant, and Smart Advertisement Adviser were launched. The projects were successfully presented under the "SmarTT Zone" concept.

AN IMPORTANT STEP IN WEB TV

Of the projects that were promoted at CEBIT, the Smart Home project, which included commercialized applications developed under Web TV and Personal Assistant projects, was introduced at the TTGaleri opened in Caddebostan. The Web TV project was formulated as a product containing 50 TV channels, VoD, Facebook and IMDB integration, user profiles and serviced recommending shows and content according to viewer habits. Having been integrated with the IPTV broadcasting center in Ankara, the Web TV started test broadcasting.

HOMES GETTING SMARTER!

In its Smart Home concept, which was another outcome of the R&D activities, Türk Telekom combined Cooking Assistant, Energy Assistant and Personal Assistant products in a home scenario. Through integration with Argelik and Migros, which are two of Turkey's leading companies in technology and shopping, it is possible to manage and monitor all equipment around the house and make suggestions to household members. Smart Home was introduced to Turkish people at Caddebostan TTGaleri.

4X SPEED ON COPPER CABLE

Türk Telekom continues to attend application interviews for numerous EU-supported projects. Of these projects, active participation was made in the 4 GBB and EW2 projects. Within the scope of the 4 GBB project, the target is to increase bandwidth limitation in copper cable from 30 MHz to 300 MHz, thus increasing transmission speed over ethernet cables four times (4x). In this project, Türk Telekom collaborates with 12 universities and telecom companies from Europe. And with the EW2 project, the plan is to make seamless calls between Wi-Fi, Wimax and GSM wireless technologies. Türk Telekom continues its activities under this project under the leadership of Innova, one of its subsidiaries.

R&D WILL GROW AT METU

Türk Telekom signed a contract with Middle East Technical University Technocity for expanding its R&D activities. It is expected that Ankara R&D bases of Türk Telekom and its subsidiaries (Argela, Innova, AssisTT, Sobee and Sebit) will be located within an R&D center to be built under said contract on an area of 20,000 square meters. Through the various telecommunications services it provides to its customers, Türk Telekom Group is planning for the coming period to offer education, health, internet applications, mobile applications, games, music and interactive services to its customers as value added services.

TÜRK TELEKOM'S SUBSIDIARIES AND R&D

2009 R&D activities of the subsidiaries in the Türk Telekom Group of Companies are as follows:

SEBİT

As an outcome of joint R&D activities with Sebit, one of Türk Telekom's subsidiaries, the online version of the Vitamin software was first launched in September 2008 as an add-on to TTNET. This was followed by KoçNET and Doğan Telekom, who started offering the Vitamin service to their respective subscribers.



Vitamin is an online educational support tool compatible with the curriculum of the Ministry of National Education, which contains subjects like Mathematics, Science and Technology, Turkish and Social Sciences. In 2009, Sebit performed activities for both developing Vitamin domestically, and localizing its products in other countries. High school section of the USA version of the product, namely the Adaptive Curriculum® (AC), was completed and launched, while Vitamin Lise product was developed and offered to users in October. As an outcome of R&D activities, "personal learning paths" were used within the Vitamin Lise product, thanks to which a guiding, explaining and teaching feature was added for helping learn subjects and concepts that “students find difficult to learn and look for solutions.”

In addition to the foregoing, testing and evaluation functionalities of Vitamin were again improved in 2009. Live SBS trial tests were prepared and applied for 7 weeks. Another R&D activity was the collaboration with Argela, one of TT Group companies, for including a SIP client in Vitamin to offer direct VoIP service to Türk Telekom customers within the product. Efforts started in 2009 to integrate this voice carrying service with Wirofon.

Activities started for developing Arabic products for the Saudi Telecom Company (STC) in Saudi Arabia, which are in compliance with the Arabic curriculum. Spanish adaptation activities are also in progress in collaboration with the University of Monterey in Mexico. Meetings with related institutions and companies are underway for localizing Vitamin and Adaptive Curriculum® products in other countries.

INNOVA
Life-saving mobile health application

Innova developed a mobile healthcare application for facilitating diagnosis and treatment in the area of healthcare. This solution aims at rapidly sending all health-critical data to the hospital following the arrival of and the first intervention by the ambulance doctor. In this way, healthcare personnel waiting back at the hospital can make preparations. Ambulance doctor will perform functions like entering information like

age, height, weight, gender, and findings like bleeding, fracture, burn, and the assessment of where these are located in the body, and taking a picture of the wounded site. This set of information is sent over mobile devices to the hospital. Having reached the selected hospital, this information will appear on the incident tracking screen as a work order. In this way, the system helps save on very critical time for human life.

Iris authentication at customs
Again during 2009, INNOVA's kiosk division developed a Working Visa Application and Approval Kiosk (DNRD). This kiosk is capable of managing the whole process for granting a working visa to foreigners who seek employment in Turkey. It is also capable of printing an official visa approval paper for approved applications. Workers with this approval paper can easily claim their visas. This whole process, which takes at least two days through a normal application, takes just 15 minutes with the working visa application and approval kiosk.

Again developed by the Kiosk Division, the ID Authentication and Customs Clearance System was activated in Qatar Customs. This system was designed for use at customs and passport offices for registering and authenticating ID information of citizens. Iris recognition and recording, facial photo shot, fingerprint recognition and recording and signature recording is done according to instructions given by the kiosk. It is possible to send all records to a central database, and for verifying an ID, it is sufficient to authenticate the iris of the person in question. All steps can be viewed by the officer in charge from a screen which is located on the side of the kiosk unit.

Collection and sale kiosks
The Collection and Sale Kiosk is another application developed by INNOVA... New models were produced, which are capable of accepting and dispensing banknotes and changes. We have also added models with credit card processing capabilities. This has made possible both the collection of bills, taxes, etc. and the selling of various other channels like counters, tickets, etc.

Türk Telekom's group companies have made a name for themselves in the global market thanks to their R&D investments. For instance, the Authentication and Customs Clearance System developed by Innova was also implemented outside Turkey, while the mobile health application, yet another fruit of R&D activities, saves lives of patients in emergencies.

INNOVA IT Solutions developed various products for the public sector as well. The Management Information System and the Decision Support System are two of the outstanding examples. These activities are a part of INNOVA's e-Institution activities. Today, it is of great importance to store, access and edit all kinds of documents in secure electronic environments.

Again, a management information system was developed for managing the tasks of the Privatization Administration in electronic environment. This system supports data entry, document sharing and messaging functionalities for enabling interactive working between the units of the Administration, ensuring efficiency, performance improvement, speed, security and internal systems integration within the Privatization Administration.

Thanks to the software developed under the Decision Support System, the data to be produced in time inside the Privatization Management Information System will be converted into reports to address specific

needs. These reports will in turn play an effective role in monitoring the outcome of privatization projects and making high-level decisions. In addition to the foregoing, R&D activities are underway in cooperation with METU in relation to the infrastructure of the mobile health platform.

INNOVA actively participates in European Union projects. Proposals are made with partners from EU Member States to projects supported by CELTIC and ITEA. Intensive efforts are made for implementing these projects. Easy Wireless 2, which guarantees uninterrupted switching between wireless networks, and COMESI, which aims at diversifying multimedia messaging in the field of new generation IP communication, are just two examples.

ARGELA
Argela, one of Türk Telekom's subsidiaries, developed the Targeted Advertisement Platform (TAP), Femtocell, Web TV and Convergence projects in 2009. Below is brief information about these projects:



Targeted Advertisement Platform (TAP) project

This platform allows for the best advertisement to be delivered to the right person through the most appropriate advertising channel (Call, SMS, Web, IPTV, Web TV, etc.). A patent application has been filed for the project. The product, which is the outcome of this project during this year, is also used successfully abroad.

Femtocell project

Mobile operators offered high-speed data possibilities to their users with 3G services which were launched in the summer of 2009. The main purpose of the Femtocell project is for ARGELA to provide a Femtocell device which is compatible with all 3GPP standards in Turkey and connected countries. Both the electronic design and the running software of this device is being developed and tested by ARGELA. Full 3GPP compatible Femtocell devices, which are designed in Turkey, will help popularize 3G services across Turkey in the coming days. While a lot of care went into the design of the device, an affordable price strategy is also targeted. Low price is believed to be an important leverage in international commercial competition.

Web TV project

During 2009, Argela has been collaborating with Microsoft on the Web TV project, which allows users to watch live TV broadcasts over the internet. The project includes movie rental functionalities as well. Under the project, Argela provides the Web TV clients and the Middleware layer which is the backbone of the platform. This platform also entails advertisement support and audio/video conversation support within the scope of convergence.

Convergence solutions

Developing SIP clients for different devices (Symbian, Windows Mobile, Windows, iPhone, Blackberry) on the Convergence Gateway, Argela collaborated with many manufacturers including LG, Samsung and NG Mobile.

Again during 2009, the Voice Call Continuity (VCC) application was developed within the scope of convergence solutions. Thanks to this

application, it is now possible to roam without interruption and switch between Wi-Fi Internet and Mobile Network.

SOBEE

Being one of the Türk Telekom group companies, Sobee created an R&D-based structure since its first day, which efforts yielded to world-class products. Sobee's innovative and original initiatives for our country were appraised and supported by ITU Technocity and TÜBİTAK-TEYDEB as well. Below is a summary of Sobee's more recent R&D activities:

Istanbul Kıyamet Vakti MMO

This game is the product of two and a half year's work. In this project, the Historical Peninsula in Istanbul was used for game scenes. Eminönü was faithfully modeled into a 3D and interactive computer environment. Throughout the project, the Actor gaming engine was further improved. And that is how Turkey's first 3D mass participation game was launched. 60 percent of the project cost was paid by TÜBİTAK-TEYDEB, which is the highest level of support given to such projects.

MMO has over 500,000 members at present. The coverage of the game will be extended to include the whole country. In order to do that, teams are working on a new add-on. Furthermore, the game was recently opened to TTNET users.

I Can Football

Enabling gamers to simultaneously play online football games in 3D environment with two teams of 11 players each, this project scored a first not only in Turkey but also at a global scale.

Hundreds of football games and tens of thousands of players successfully interacted simultaneously on the same server. The ability to record live games or repeat positions during games, re-watching or publishing recorded positions or goals online are some of the outstanding capabilities of the game. This project, the first version of which was completed in such a short time as 24 months, was also supported by TÜBİTAK-TEYDEB. For the game, which was introduced to users in November 2009 with a very big and successful event at the CompeX

In 2009, Argela, one of Türk Telekom's group companies, successfully developed the TAP Project, which helps the right kind of advertisements reach the right kind of people - a project which was successfully implemented outside Turkey as well. Of the group companies, Sobee develops world-class products which include "İstanbul Kıyamet Vakti MMO" and "I Can Football," which can be played online in 3D environment.

exhibition, meetings are presently being held for publishing in different languages and countries.

Süper Can

With this game, which was developed for Türk Telekom's kid character Can, Süper Can is taking sure steps toward becoming the first game character of Turkey. The first release of its promotional video attracted over 600,000 people within the first two weeks. For this game character, who will be fighting against the destruction of forests in the first episode of the game, many social and educational game projects will be developed.

Virtual Kid Pilot


Very useful and innovative products are developed by making use of the Google Earth infrastructure. Thanks to this project, which was originally intended for THY, users from all age groups will be able to pilot a computer-

simulated airplane. Joining an interactive visual application, the user will first be able to choose a route and see the flight and the land surface from cockpit, tail or top views. During the flight, it will be possible to learn about places and events of interest on route, and to adjust flight time and altitude.

The application will be continuously updated and enriched with new content and functionalities. It will attract lasting interest of users with its dynamic structure. In addition, it will also attract new users to the website. For example, it will be very easy to make city trips and regional tours across the country in a "Let's Fly, See and Learn!" kind of setting.

The project will also be presented to TÜBİTAK-TEYDEB to see if it is eligible for support as an RooD project.





**We invest to build the
future, because
we believe in it...**

Having restructured itself and created jobs for 2,000 people in a year of crisis, Türk Telekom increased the number of its employees to 34,086. Having been established for in-service training activities, Türk Telekom Academy broke records in this area in 2009. 47,335 attendees from within the company and subsidiaries received a total 602.916 hours of training during the year.



Türk Telekom created business processes to ensure fast flow of information and data between the Head Office and the field, which was a prerequisite to achieve the more effective, efficient and customer-oriented working target. Türk Telekom, on the other hand, continued its in-house training activities with increased intensity.

12 SEPARATE REGIONAL DIRECTORATES CREATED

Having 82 provincial directorates across Turkey, Türk Telekom reorganized its field structure into a regional one, aiming at reducing the workload of the General Directorate, monitoring the performance of field extensions of units, and providing unification of purpose across the whole organization.

As a part of these efforts, 82 provincial directorates, which used to be independent centers, were brought under the following 12 regional directorates: Istanbul 1 (European Side), Istanbul 2 (Asian Side), Anatolia Center 1 (Ankara), Anatolia Center 2 (Kayseri), North 1 (Samsun), North 2 (Trabzon), East 1 (Erzurum), East 2 (Diyarbakir), South 1 (Antalya), South 2 (Adana) ve West 1 (Izmir), West 2 (Bursa).

Tasks that needed to be done across all Türk Telekom units were defined according to qualitative and quantitative criteria according to the Corporate Working Model for calculating how much workforce is actually required. This was another important step toward achieving the corporate targets that are dictated by the vision and mission of the Company. For offering faster, higher-quality and equal services through a process-based approach, Türk Telekom also continues with Process Management Project activities which are focused on continuous improvement and development.

AGREEMENT REACHED IN COLLECTIVE BARGAINING NEGOTIATIONS

8th Collective Bargaining Agreement negotiations covering a total of 18,559 employees, which started between Türk Telekom and Haber-İş Labor Union on February 13, 2009, ended in agreement.

Within the scope of the Collective Labor Agreement, which will apply to Türk Telekom and all affiliated workplaces for 2 years from March 1, 2009 to February 28, 2011, an agreement was reached on increasing the salaries of union member employees by 3% for the first six-month period; by 3.5% for the second six-month period; by 2.5% for the third six-month period; and by 2.5% for the fourth six-month period. Furthermore, in case inflation rates (CPI) for the third and fourth six-month periods exceed 2.5%, 75% of the exceeding portions will be added to the salaries of the employees in the following period.

EMPLOYED 2,000 PEOPLE IN THE YEAR OF GLOBAL CRISIS

Continuing its employment movement with unfaltering speed and determination in 2009, Türk Telekom created jobs for around 6,000 people since 2005, including the 2,000 it has newly made part of its family. Of those who were recruited in 2009, 70% were engineers and candidate technicians. The total number of Türk Telekom Group employees reached 34,086 people as of the end of 2009.

ADDRESS OF TRAINING: TÜRK TELEKOM ACADEMY

Continuing to invest in many areas from infrastructure to delivery network, from human resources to development of new products and services, Türk Telekom is a company which has been like a school for many years in the industry. Investing into human resources continued to one of the most important agenda items in 2009 as well. The company's most trusted asset for its long term growth strategy is its employees. Therefore, investment into employees continues at unfaltering speed.

Established in 2007 for addressing training and development needs of all employees of the Türk Telekom Group and its dealers and business partners, and for preparing telecom specialists by way of investing in training and people in Turkey, Türk Telekom Academy is complementary to this approach.

Aspiring to become a global player in the area of training and development, Türk Telekom Academy both trains the newly-graduated engineers and technicians recruited by Türk Telekom, and also provides training opportunities to its employees which empower them to bring their specializations up to world standards.

Türk Telekom Academy successfully continues its mission of integrating individual and organizational development goals with corporate targets and strategies. In this way, Türk Telekom more efficiently reveals its quality of being the school of its sector.

Being the unit which organizes and implements in-house training activities, Türk Telekom Academy raised the quality of its in-house training activities in 2009. TT Academy gave 602,916 hours of in-house training to 47,335 participants including the subsidiaries in 2009.

ORIENTATION TRAINING WITH TURKEY'S HIGHEST LEVEL OF PARTICIPATION

At the end of 2009, Türk Telekom Academy held one of the orientation trainings with the highest level of participation across Turkey. 1,917 new employees who were recruited between November 1 and 17, 2009 received



a comprehensive training on November 18 and 19, 2009 at the Haliç Congress Center on all units of the company and their activities. During this mass training event, Department presentations, Regional Directors panels, technical trainings, personal development trainings and teamwork activities were carried out.

COOPERATION WITH UNIVERSITIES

Türk Telekom also held several meetings with ITU (International Telecommunication Union) with the intention to improve its training processes. Under Program-5 'Human Capacity Building,' ITU has eight ITU Centers of Excellence. Türk Telekom made an initiative to establish in Turkey a training center, which would come to serve as the European and CIS Region center vis-à-vis the ITU, and received a positive response.

University cooperation contracts covering Türk Telekom Group companies were signed and implemented in 2009. At contracted universities, trainers of Türk Telekom Academy started teaching a Türk Telekom coded class titled “Communication Chain.”

TÜRK TELEKOM ACADEMY WEB PORTAL

Announcing its training activities and managing its training processes through the training portal at www.turktelekomakademi.com.tr, Türk Telekom Academy achieved great success with this website as well. Having a use ratio of 73%, which is above world average with a total of 38,000 users including Türk Telekom's group companies, dealers and sales channels, 30,761 registered trainings and 2,300,000 visitors,



the portal has become one of the leading training points of the sector and of Turkey.

E-LEARNING CONTENT DEVELOPMENT ACTIVITIES

The demand from business units and group companies in 2009 made it possible to launch custom e-learning content development projects for Türk Telekom in addition to ready-made e-learning contents. Türk Telekom Akademi completed its preparations for offering its own contents internally to group companies with its own team. In 2010, part of its trainings will be done using “Synchronized Virtual Class” applications, which will make it possible to save on time and cost.

TRAINING FOR EXECUTIVES AND DEALERS

The Senior Executive Development Program and the Executive Development Program were implemented. Through joint efforts with contracted universities, Executive MBAs were created for senior executives, and Management Skills Development and Project Management trainings were prepared and implemented under the name YöneTT for executives within Türk Telekom.

Under the 1st Phase Certification Program of the Dealer Progress Project, which was developed for Türk Telekom's dealers, 240 group trainings were organized during 2009 for owners and employees of dealerships. 4,458 people benefited from these trainings during which each participant attended more than one training.



INTERNATIONAL BENCHMARKING AND PERFORMANCE MANAGEMENT: EXCHANGE OF INTERNATIONAL EXPERIENCE REFLECTED ONTO BUSINESS PROCESSES

The increasingly competitive market environment in the telecommunications industry adds up to the importance of accurately assessing the existing situation compared to the competition, an engaging in international benchmarking activities to ensure continuous improvement in areas like performance, quality, cost and business processes.

Türk Telekom regularly participates in professional benchmarking programs with leading international telecom operators, and makes effective use of the results of these programs in its decision-making processes. In this scope, Türk Telekom participates in special working groups of the European Public Telecommunication Network Operators Association (ETNO) to ensure a deeper exchange of information and experiences in specific areas.

Benchmarking and application sharing programs are organized in areas like customer experience, operational effectiveness, cost efficiency, quality of service and product profitability, and results are regularly reported. These activities ensure that both in-house performance management is compatible with internationally accepted standards, and also support a culture of continuous improvement, contributing to the improvement of business excellence.



A SIGNIFICANT CONTRIBUTION TO 'PROJECT MANAGEMENT' LITERATURE

Under the competitive conditions prevailing across the world, success of implemented projects and efficient use of scarce resources is possible through a professional management of these projects. At this point, it is of great importance that projects are managed effectively and in accordance with internationally accepted scientific principles. Yet in Turkey, 'project management' cannot find enough footholds in educational institutions, and therefore it is typically learned on the job within a conventional corporate culture. In this context, Türk Telekom is carrying out diverse activities in order to bridge this gap.

The most important of these is the initiative for translating two important books into Turkish with a view to fill the gap in the area of project management, where it is rather difficult to find Turkish resources.

Two important books by the Project Management Institute (PMI), one of the biggest NGOs of its own field, were published in Turkish with the contribution of Türk Telekom: “Project Management Body of Knowledge” and “Combined Standards Glossary.” These two books were given free of charge to universities, NGOs, societies, hospitals, libraries and many other institutions that are interested in project management.

4,000,000

(Number of students who enjoyed Vitamin Lise for free)

6,200,000
(Number of ADSL subscribers)

16,500,000
(Fixed line subscribers)

4,328,263,400 TL
(Total amount of taxes paid to the state including
Türk Telekom's Treasury share)

11,800,000
(Number of GSM subscribers)

40%
(Increase in investment expenditure)

33,000

(Number of public primary schools which were given
free Vitamin educational software by Türk Telekom in the educational year of 2008-2009)

12,000,000

(Number of Türk Telekom Subscribers
who helped protect the environment by receiving e-invoices)

320,000 MINUTES
(International outbound telex traffic)

1,490,156,977
(Amount of cash dividend paid in 2009)

2,000
(Number of those
who joined Türk Telekom family)

34,086
(Total number of Türk Telekom employees)

1,590,000,000
(Amount of cash dividends proposed for the activity year of 2009)

500,000
(Number of people who signed up
with Sobee's game Istanbul Kıyamet Saati)

8.01
(The ranking which opened
the way to ISE Corporate Governance
Index for Türk Telekom)

12
(Number of regional directorates in
Türk Telekom's new structure)

1,831,730,000 TL
(Türk Telekom's profits)

225
(Number of scholarships provided)

932
(Total number of internet houses
opened by Türk Telekom across Turkey)

2,470,000,000 TL
(Total investment expenditures)

10,500,000,000 TL
(Türk Telekom's consolidated revenues)

33%
(Ratio of 8 Mbps internet service users to total
ADSL users as of the end of 2009)

5%
(Türk Telekom's
net profits increase)

30,000
(Number of athletes prepared by
Türk Telekom Sports Schools in 10 years)

8 MBPS
(Achieved internet speed)

7,000
(Number of payphones at primary,
secondary and high schools across Turkey)

128,150 KM
(Total number of fiber optic access
and transmission cables)

6,258
(Total number of wireless
access points across Turkey)

75,000
(Number of trees planted under the E-Billing Forests Project)

602,916 HOURS
(Total training hours received by Türk Telekom employees)

44%
(Increase rate of Türk Telekom's stocks)

47,335
(Number of people who were trained by
Türk Telekom Academy in 2009)

483,000,000 MINUTES
(Total duration of international calls)

While the effects of the global crisis subsided in the last quarter of 2009, they were felt throughout the year. According to IMF estimates, world trade volume, which shrank by 12.3% in 2009, will grow by 5.8% in 2010. Expectations are that 2010 will be a year of moderate revitalization for Turkish economy with the support of the recent developments in global economy.

TURKEY MACROECONOMIC OUTLOOK

LEAVING THE GLOBAL CRISIS BEHIND

To the world economy, which has been undergoing one of the deepest and the broadest economic and financial crises of all times, 2009 was a year in which we both experienced the darkest days of the crisis, and the hopes of coming out of the crisis were considerably strengthened.

Reflections of the global crisis continued to be felt, somewhat less obviously, during the last quarter of 2009. Recently announced data show that moderate recovery trend exists in global economy. However, the fact that public borrowing in developed countries has reached concerning levels, partially continuing problems in loan markets and persistently high level of unemployment rates indicate that it will take a long time to permanently eliminate problems. In spite of these uncertainties and risks which global economic recovery is facing, 2010 is expected to be a year in which positive developments get stronger and more widespread by each day. With the wind of these positive developments, the IMF revised its 2009 world economy shrinkage estimates down to as low as 0.8%, increasing its 2010 growth estimates to 3.9% and 2011 growth estimates to 4.3%. According to IMF estimates, world trade volume will grow by 5.8% in 2010 compared to 12.3% shrinkage in 2009.

A YEAR OF MODERATE REVITALIZATION IN ECONOMY

With the help of developments in global economy, 2010 will be a year of moderate revitalization for the Turkish economy as well. The extent of revitalization will for the most part depend on the revitalization in global

markets and on how much exports will increase. Historically speaking, Turkey has always rapidly leapt out of past crises. But this time, the pressure of the global crisis dictates that the way out of crisis will follow a rather slow and gradual trend.

GROWTH TARGET OF 3.5%

Having started in the last quarter of 2008, the fast economic shrinkage continued during the first half of 2009, and then gave signals of recovery by cutting speed. The economic shrinkage rate, which was 14.7% in the first quarter, and 7.9% in the second quarter of 2009 compared to the same period in the previous year, regressed to 3.3% in the third quarter. Thus, the average shrinkage for the first nine months of the year was 8.4%. The government estimates overall economic shrinkage for 2009 as 6%, while the growth target for 2010 is 3.5%.

IT WILL TAKE TIME TO HEAL THE UNEMPLOYMENT WOUND

One of the bitterest social consequences of the crisis was the increase in unemployment. The unemployment rate increased to the level of 16.1% as of February 2009. The improvement in the unemployment rate, which regressed thanks to the contribution of agricultural and services sectors during summer, was supported by a delayed increase of employment in industry. Thus, the unemployment rate went down to 13% in October 2009.

Low capacity utilization ratio, weak progress in new investments, and the fact that exports increase will pace at a slow rate according to global market developments is putting a strain on the strength of employment increase. The improvement in employment is expected to continue into 2010. But since this improvement will be slow, it will take a long time to



fully recover from the damage done by the crisis in employment. Continued pressure from unemployment will also continue to slow down revitalization in domestic demand.

INFLATION UNDER CONTROL

With the negative impact of the economic crisis, Turkey witnessed a very low inflation rate in 2009, which had not been experienced for 40 years. After going as low as 5.24% in May, the Consumer Prices Inflation closed the year at 6.53% with the effect of the rapid increase in recent months. Yearly inflation in manufacturer prices reached 5.93% at the year-end after it went as low as minus 3.75% in July. While the official inflation target for 2010 is 6.5%, the Central Bank inflation report from January 2010 has revised year-end inflation estimate as 6.9%. According to Central Bank estimates, 2010 inflation cannot be lower than 5.5%, and higher than 8.3%.

STICKING TO SINGLE-DIGIT INTEREST RATES

Following an effective interest reduction policy as of the end of 2008 like all central banks of the world, the Central Bank reduced interest rate by a total of 10.25 points. Lowering policy interest to single-digit figures in April, the Bank kept interest rates at a flat line after reducing them down to 6.5% in November. The Central Bank foresees that interest rates will stay flat for a long time and will continue to be single-digit for the next three years. While the interest rate reduction policy of the Central Bank was reflected on market interest rates too, it also brought interest rates in the bills market down to the single-digit level. Although delayed, the low interest rate policy of the Central Bank also started to pull down loan interest rates as well.

CURRENT DEFICIT WILL SEE SOME ACTION TOO

Economy shrinking as a result of crisis caused foreign trade and current accounts deficit to shrink rapidly. While the crisis caused foreign trade volume to shrink by 27.2%, reduction in imports was greater than that in exports. In 2009, exports decreased by 22.6% down to the level of 102.2 billion dollars, while imports decreased by 30.3 down to the level of 140.8 billion dollars. In this way, foreign trade deficit decreased by 44.8% to become 38.6 billion dollars. Exports/imports coverage ratio increased by 7.2 points up to 72.6. With the contribution of the decrease in foreign trade deficit, the current accounts deficit went down by 67%, coming down from 42 billion dollars to 13.9 billion dollars. While current accounts deficit was significantly reduced, an even stronger reduction was felt in foreign funds brought by direct investments and portfolio investments. In 2009, foreign direct capital investments decreased by 58.4%, going from 18.3 billion dollars to 7.6 billion dollars.

Economic revitalization promises an increase in current accounts deficit in 2010. In its 2010 program, the Government estimates exports to increase to 107.5 billion dollars, and imports to 153 billion dollars. Accordingly, foreign trade deficit will reach 45.5 billion dollars, while current accounts deficit will increase to 18 billion dollars. In spite of this increase, the current deficit/national product ratio will remain as low as 2.8%.

BORROWING INCREASES

Another negative impact of the crisis on the 2009 economy is that it gave rise to an increase in budget deficit and public debts. While budget revenues increased by only 2.6% in 2009, budget costs increased by 17.7%, thus causing the budget deficit to triple and reach 52 billion TL. The target

As of the end of 2009, Türk Telekom group companies have 16.5 million fixed-line, 6.2 million ADSL, and 11.8 million GSM subscribers. Owning 99.9% shares of TTNET, Argela, Innova, Sebit, Sobee and AssisTT each, Türk Telekom also owns 81% shares of Avea, one of Turkey's three GSM operators. With a young population, sound demographic structure, a developing economy, a modern network infrastructure covering the whole territory, and ongoing infrastructure investments, Turkey is one of the most important and fastest-growing markets of its region. Turkey's increasing trend of population age average and number of households appears to give rise to many opportunities for the telecommunication industry.

for 2010 budget is to bring budget deficit back to 50 billion TL with a slight decrease, and increase non-interest surplus to 6.6 billion TL.

Domestic borrowing stock increased in the 3rd quarter to 338.7 billion TL, which translates to an increase of 14.5% compared to 2008 year-end.

COUNTRY NOTE INCREASED

International credit rating agencies have raised Turkey's credit rating after evaluating that Turkey has not experienced a financial crisis despite the serious economic recession. Taking the first step in this field, Fitch raised Turkey's long-term foreign currency credit note from BB- to BB+, raising it by two digits after five years. Thus, Turkey is just a step away from BBB, which means “investment can be made”. Lastly, Standard and Poor's credit rating for Turkey raised to the level of BB from BB- level.

OUTLOOK OF TÜRK TELEKOM AND THE TURKISH TELECOM INDUSTRY

TÜRK TELEKOMÜNİKASYON A.Ş.

Türk Telekom is a Group of Companies offering integrated telecommunications solutions from fixed line and GSM to broadband internet. As of December 31, 2009, Türk Telekom group companies have 16.5 million fixed line, 6.2 million ADSL line and 11.8 million GSM subscribers. With its modern network infrastructure covering the entire land, the Group offers a wide variety of services to retail and corporate customers across Turkey. Owning 99.9% shares of TTNET, Argela, Innova, Sebit, Sobee and AssisTT companies, Türk Telekom also owns 81% shares of Avea, one of the three major GSM operators of Turkey. In addition, Türk Telekom also has minority shares of Albtelecom, a local telecom operator in Albania. 55% of Türk Telekom's shares belong to Ojer Telekomünikasyon A.Ş. and 30% to the Undersecretariat of Treasury, the Republic of Turkey while the remaining portion of 15% was publicly offered. Türk Telekom's stocks are traded at ISE as of May 2008.

TURKISH TELECOMMUNICATIONS MARKET

Thanks to its strong economy and financial system, Turkey survived the recent global economic crisis with minimum damages. Although growth slowed down in many sectors including the telecom industry, the fact that improvement signals in economy have become more visible as of the second half of 2009 looks promising for the development of the telecommunications industry in the coming period.

With its young population and demographic structure, developing economy, modern network infrastructure covering the entire country, and continuing

infrastructure investments, Turkey is one of the most important and fastest growing markets of its region. The fact that Turkey's population age average and number of households is following an increasing trend appears as an element of opportunity for the telecom industry.

While the post-privatization sector environment increased the importance of the higher-quality and more-reasonably-priced service approach, adding impetus to the launching of package services, it also caused companies to invest more. During last year, many important game-changing developments took place in both fixed and mobile communication services:

PSTN SERVICES

Of the important developments in 2009, opening of local calls to competition and fixed-line number portability take precedence. With these developments, competition has gone even further. In 2009, Türk Telekom continued to implement different campaigns and services in order to increase the quality of service and the choices offered to its customers. Within this scope, new tariffs with fixed speaking minutes were developed by the names Jetvell and Jettfon for local, intercity, mobile and international calls.

NEW PRODUCTS THAT SOPHISTICATE OUR CONVERGENCE STRATEGY

In 2009, maintaining its leading position in convergence technologies, Türk Telekom developed, completely on its own resources, the Wirofon product, which allows users to receive fixed line telephone services over Wi-Fi, and offered the same to its customers. Thanks to Wirofon, users are now able to make calls over fixed line tariffs as if they were calling from their home or work phones using any device (mobile phone, computer, etc.) with access to internet.

Launched in 2008 and further improved in 2009, the Wirofon service reached a stage whereby it provides wireless roaming service at over 100,000 access points in over 160 countries within the framework of the international “I-Pass” agreement.

INTERNET ACCESS AND BROADBAND INVESTMENTS

In parallel to Türk Telekom's major infrastructure investments and efforts for generalizing internet use, there is a constant increase in the number of ADSL subscribers.

With the transition from dial-up network and cable internet use to ADSL, ADSL has become the most commonly used means for internet access in our country. The number of ADSL subscribers increased from 1.5 million in 2005 to 6.2 million as of the end of 2009. According to Q3 2009 report of the Information Technologies and Communications Board (BTK), 94% of overall internet subscribers use ADSL packages.



Computer usage and ownership, which has been following an increasing trend in our country, creates opportunities for the broadband market. According to a BTK report, broadband penetration numbers by Turkey's population and number of household was 8.6% and 38%, respectively, according to Q3 2009 data. The same ratios were 22.9% and 55%, respectively, in the European Union.

The process related to the WiMax licenses, which is the wireless broadband technology offering high-speed internet connection, continues to be included in BTK's business plan.

Occupying a leading position in wholesale and retail internet access services, Türk Telekom continued to invest in broadband in 2009, taking significant steps in this area. Effective from March 2009, special communication taxes imposed on fixed and mobile internet were decreased from 15% to 5% and from 25% to 5%, respectively.

Of the group companies, TTNET launched many innovations that are sure to increase the quality of internet experience by the users. In this context, ADSL NET packages of up to 8 Mbps speed were launched in May, and thanks to the great interest they attracted, they grew to represent 4% of the total subscriber base of TTNET. This share was 33% percent as of the end of 2009. TTNET's complementary mobile internet package was offered to its customers with the Uçan Internet brand in the second half of 2009. The entry package offered users one 3G USB dongle, 250 MBs of mobile data from AVEA, and 10 hours of Wi-Fi access.

In the second half of 2009, the entry level internet package NeteDaveTT, which was particularly intended for the 50 priority provinces for

development, was made available to users at very affordable prices. Thanks to this package, users paid only around 18 TL for 512 Kbps internet with a capacity quota of 512 MB.

During the year, TTNET continued its activities for expanding Wi-Fi coverage areas. While there are 6.258 Wi-Fi hotspots for accessing wireless internet across Turkey, TTNET continues these investments at unflinching speed.

TTNET constantly improves its content by making additions to the added value services it offers to customers. The interest toward TTNET's Music, Video and Game portals continued to increase in 2009. After reduction of tax ratios on internet services, TTNET offered its customers campaigns like "Try three, choose one," making sure that all customers have a firsthand experience of value added services. And games developed by Sobee, the game developer company acquired by Türk Telekom, contributed greatly to this content.

MOBILE COMMUNICATION

Following the legal changes of late 2008, which made mobile number portability possible, users became free to switch operators at their own discretion and without the need to change their existing numbers. This had a strengthening effect on free competition within the market.

Türk Telekom offers mobile communication services in collaboration with its group company Avea, 81% of whose shares it owns. Having been established in 2004 as a result of a merger between Aycell ve Aria brands, Avea, the youngest operator of the industry, managed to increase the

number of its subscribers by 7 million as of the end of 2009, bringing it from 4.8 million up to 11.8 million.

As of the 3rd quarter of 2009, the total number of subscribers reached 63.7 millions. In the mobile communication market, where there are presently three licensed operators, Avea's market share is 19% as of the 3rd quarter of 2009. The mobile penetration rate, which was around 89% as of the 3rd quarter of 2009, is way below the European Union mobile penetration rate of 125%.

Another important development in the industry was BTK's decision to lower mobile call termination rates by an average of 30% to be effective from May 1, 2009.

Being awarded at the 3G tender of November 28, 2008 the right to deliver 3G services, Avea continued investing in this area and started to offer 3G mobile communication and internet services as of the end of July 2009. Thanks to these services, customers were able to make video calls on their mobile phones. Avea continues with its 3G services with the Jet mobile modem brand. According to Q3 2009 data, there are a total of 5.4 million 3G subscribers which corresponds to 8% of the overall mobile subscriber base.

For sure, one of the most important developments in the sector was the mobile tariffs pioneered by Avea, which tariffs allow users to make calls into all directions by observing specific minute limitations. Avea started this service first in its postpaid lines under the name "Her Yöne Özgürlük," following which similar tariffs were offered to prepaid customers as well. As a result of these developments, mobile talking times in the sector increased from 166 minutes in the Q2 2009 to 191 minutes in Q3 2009. Contracting with the four major football teams of Turkey in 2009, Avea started offering services similar to MVNO which targeted football supporters. Legal arrangements in the area of Mobile Virtual Network Operator services are presently in progress.

NEW DECISIONS, NEW PRACTICES IN THE TELECOMMUNICATIONS INDUSTRY IN 2009

2009 was a year of important regulations, authorizations and changes in the telecommunications industry. The year witnessed numerous legal arrangements which were necessitated by ongoing technological changes.

NOMADIC NUMBERS FOR WIROFON CUSTOMERS

By virtue of the BTK decision of May 28, 2009, Türk Telekom launched its call-over-internet service. Following this decision, Wirofon was launched, which offers call service both in Turkey and abroad. Around 100,000

'nomadic numbers' starting with the 0850 prefix, which were allocated by the Board to Türk Telekom, 100,000 were started to be allocated to Wirofon subscribers.

Following this allocation which marked the approval of call termination in IP network, 500,000 more numbers were requested from BTK.

NAKED ADSL

In the Naked ADSL process, which started in February 2009, Türk Telekom finalized all tariff and service preparations for the said service in a way that it will be offered in December 2009 over the 'Reference IP Level Bitstream Model,' presenting the same to the BTK for approval in the last quarter of 2009.

Following the decision of the Competition Authority on 18.02.2009, which stipulated that the practice of associating ADSL service with a fixed line telephone subscription should be discontinued, and that Türk Telekom should file an application with the BTK for starting the Lean ADSL service, an application was filed with the BTK on 03.07.2009, a copy of which was forwarded to the Competition Authority for information. In turn, the Competition Authority posted an announcement about its Naked ADSL Decision on its website on September 25, 2009, explaining that the stipulation of the Competition Authority that “Türk Telekomünikasyon A.Ş. should file an application with the BTK within 3 (three) months for offering the Naked ADSL service” has been fulfilled at this stage, and that Naked ADSL offering may start once the BTK completes its tasks of deciding upon and approves the relevant tariff system. Proceedings with the BTK are still in progress.

TARIFFS FOR INTERCONNECTION FEES

Call termination fees in fixed network were formulated as Interconnection Fee Tariffs by the BTK Decision of March 25, 2009, which took effect as of May 1, 2009. With the referenced decision, fees for onnet and offnet call origination/termination in Türk Telekom's network remained unchanged compared to prior fees, which are 1,71 Kr/min and 2,70 Kr/min, respectively. And the local call origination/termination fee was defined for the first time as 1,39 Kr/min.

OPENING OF LOCAL CALLS TO COMPETITION

In accordance with the Electronic Communication Law No. 5809 dated November 5, 2008 and the Authorization Regulation for the Electronic Communication Industry, which was published on the Official Gazette of May 28, 2009, Long Distance Telephone Service Operators were authorized for carrying local traffic on top of their fixed line telephone service authorization. Accordingly, within the scope of the Annex-STH protocols, which were prepared as addenda to the existing Long Distance



Telephone Service Interconnection Contracts signed between Türk Telekom and other fixed line telephone service operators, these operators have already started carrying local traffic by way of interconnection from the Türk Telekom network.

In addition to the foregoing, Türk Telekom continues to sign interconnection contracts with operators who have been allocated numbers by the BTK and/or have acquired numbers through number portability, in relation to call termination in the networks of respective operators.

OTHER AGENDA ITEMS OF 2009

FIXED-LINE TELEPHONE SERVICE AUTHORIZATION

BTK published Board Decision no. 2009/DK-07/231 dated May 7, 2009 on the delivery of fixed-line telephone service.

Authorization Regulation for Electronic Communication was published on Official Gazette no. 27241 dated May 28, 2009. Here is the content of the Regulation that took effect:

“Fixed line telephone service covers the delivery of basic and added value telephone services to users/subscribers over fixed terrestrial telephone network without any technological limitations. The operator shall be entitled to offer all basic telephone services including local, intercity and international telephone services and voice message or SMS, fax, video phone, call back and all other added-value telephone services to users over fixed terrestrial network.”

FIXED NUMBER PORTABILITY

The Number Portability Regulation was published on the Official Gazette of July 2, 2009. Pursuant to said regulation, fixed-line (geographical and non-geographical) number portability became available on September 10, 2009.

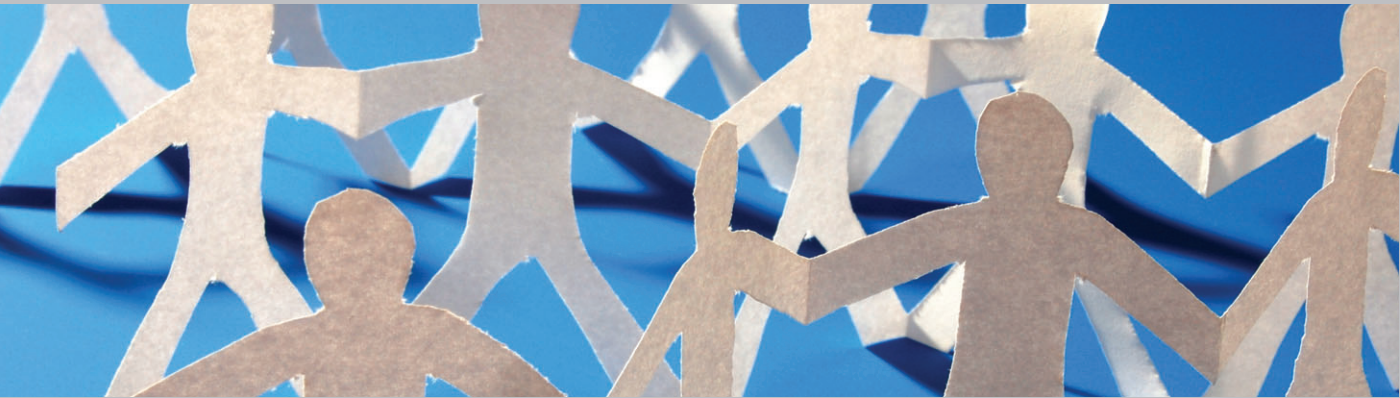
Pursuant to BTK's Board Resolution of June 24, 2009, it was decided to open 82 additional area codes in 81 provinces, which can be allocated from prefixes under the newly opened geographical area codes to those fixed line telephone service operators and other related operators who make a request in accordance with the said Resolution. However, the Council of State ruled for a stay of execution on January 6, 2010, suspending the opening for use and allocation of new area codes.

NEW TARIFF REGULATION

The New Tariff Regulation took effect after being published on Official Gazette No. 27404 on November 12, 2009. Differing from the previous regulation in terms of its provisions, the New Tariff Regulation covers not only operators with Significant Market Power, but all operators who offer electronic communication service to end users.

In addition to the methods of cost-based approval and price cap-based approval, which were contained in the old Tariff Regulation, the new Tariff Regulation also contains the methods of subjecting tariffs to a notification procedure and introducing an upper and/or lower limit to tariffs in accordance with principles and procedures to be defined. Another difference of the new Tariff Regulation from the old regulation is the special provisions for public disclosure of tariffs pursuant to the principle of transparency, which are binding upon all operators.

In the tender organized by the Turkish Football Federation, Türk Telekom was awarded the right to broadcast football game summaries via mobile onboard stations starting from the football season of 2010-2011 until the end of 2013-2014 for a bid of 13,500,000 US Dollars. Another material event after closing of the reporting period was the appointment of Mustafa Uysal, who has extensive experience in many areas and is currently the Chairman of the Tax Council, as the Chief Financial Officer (CFO) of the entire Türk Telekom Group.



TÜRK TELEKOM WAS AWARDED THE MOBILE BROADCASTING RIGHTS FOR SUPER LEAGUE AND THE 1ST LEAGUE

On January 14, 2010, Türk Telekom was awarded Package C (rights for broadcasting football game summaries by mobile devices) for its bid of 13.5 million US Dollars placed in the "Media Rights Tender" organized by the Turkish Football Federation for transferring the Broadcasting Rights for TFF Super League and TFF 1st League games for 2010-2011, 2011-2012, 2012-2013, 2013-2014 football seasons.

Abovementioned price of broadcasting rights does not include the 10% Statutory Share of the Turkish Football Federation, the 2% League Organization Share, and the 18% Value Added Tax.

Türk Telekom also became entitled, depending on certain conditions, to extend the contract for another year for the 2014-2015 season.

ONE CFO FOR THE ENTIRE TÜRK TELEKOM GROUP

Türk Telekom's Board of Directors decided on February 1, 2010 that, as of 01.02.2010;

- (i) Mustafa Uysal will be appointed as the CFO of the "Türk Telekom Group," which covers Türk Telekomünikasyon A.Ş. and all subsidiaries thereof,
- (ii) CFOs of Türk Telekomünikasyon A.Ş. and its subsidiaries will individually report to him,
- (iii) Mustafa Uysal will also serve as Acting CFO of Türk Telekomünikasyon A.Ş. until this position is filled with a new appointment.

Having started his career in 1976 as an Account Specialist with the Ministry of Finance, Mustafa Uysal worked as Financial Coordinator, VP Finance and VP Business Development respectively within the Anadolu Group, and also sat at the Boards of Anadolu Group companies.

Having experience in financing, tax policies and practices, internal audit, financial systems, operational strategies, business development, corporate governance, risk management and restructuring, Uysal has also served, since the beginning of 2003, as the Chairman of the Tax Council, which is formed by representatives of public and civil organizations as well as academicians and specialists.

Mustafa Uysal co-authored a book titled "A Strategic Approach to Management and Control of Revenue in Turkey in the light of Contemporary Trends," which was awarded and published by the Account Specialists' Foundation. He co-authored another book titled "Inflation Correction and Its Accounting," which was published jointly by TÜRMOB and Yaklaşım Yayınları. Uysal also publishes articles in his column titled "Arasıra" in Dünya Newspaper.

NEW INTERCONNECTION TARIFFS ANNOUNCED BY THE BTK

With Board Decision No. 2010/DK-07/88 dated February 10, 2010, the Information Technologies and Communication Board (BTK) changed the Interconnection Rates Tariffs as follows, effective from April 1, 2010. The change in mobile interconnection rates corresponds to an average discount of 52%. Taxes are excluded from below-listed fees.

Effective Date		Avea İletişim Hizmetleri A.Ş.	Turkcell İletişim Hizmetleri A.Ş.	Vodafone Telekomünikasyon A.Ş.
April 1, 2010	Call Termination Rates in 2G (GSM) Networks (Kr/min)	3,70	3,13	3,23
	Call Termination Rates in 3G Networks (Kr/min)	Voice Calls	3,13	3,23
		Video Calls	7,75	7,75
	Call Origination and Termination Rates in Türk Telekomünikasyon A.Ş. Network (Kr/min)	Local	Onnet	Offnet
		1,39	1,71	2,24

Corporate Governance Principles Compliance Report

Statement of Compliance with Corporate Governance Principles

With 15% of its shares publicly held after the IPO carried out on May 15, 2008, Türk Telekomünikasyon A.Ş. (“Türk Telekom”) pays utmost attention for implementing the principles contained in 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 said principles. Shareholders have access to comprehensive information through the Türk Telekom corporate website constantly kept up-to-date, as well as the possibility to direct their queries to the Capital Markets and Investor Relations Department.

Reasons for non-complied Corporate Governance Principles

Absence of an independent Board member, and that cumulative voting system is not used: Our Articles of Association allow for the election of independent members under certain conditions. Our Board shall include an independent member if and when these conditions occur. On the other hand, 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 appoints a private 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 ample.

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

That the Board of Auditors did not propose to the Board of Directors prior to the General Assembly for the election of the Independent Auditor: The Board of Auditors of our company was unable to propose to the Board of Directors since it was formed after the appointment of the existing Independent Auditor.

Absence of a Corporate Governance Committee: Activities for creating a Corporate Governance Committee are presently in progress.

That the Articles of Association does 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 for inviting the Board of Directors to convene. No other form or mode of invitation to meeting is provided for.

1. Shareholders

1.1. 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 CFO in matters related to the financial reporting process. Investor relations are carried out by this Department.

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 corporate 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 about the Company; ensuring proper and optimum promotion of the Company and guaranteeing that reports for investors are prepared in an accurate and complete fashion,
- Sharing the interim and year-end statements, investor presentations, press releases and annual and interim activity reports regarding 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.

Corporate Governance Principles Compliance Report

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		
Süleyman Kısaç	Manager		
Yunus Emre Çiçek	Manager	0212 306 80 80	ir@turktelekom.com.tr
Ziya Parıltılı	Specialist		
Eren Öner	Specialist		
Zehra Saygın	Assistant Specialist		
Ayça Özcan	Team Assistant		

The Department received over 300 information requests by phone and email during 2009, all of which were answered. The Company participated in 18 international and 2 domestic investor conferences in the same period, during which contacts were made with over 310 representatives from over 220 investment companies. In addition, the Department held about 100 internal investor meetings and around 40 teleconferences, thereby communicating with over 170 shareholders and/or analysts, ensuring that all queries have been fully responded to.

1.2. 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 highest authority on the related matter. Over 300 information requests received by Türk Telekom in the relevant period were answered. Furthermore, information and developments relating to Türk Telekom that are of interest to shareholders are regularly communicated to the concerned parties both by the corporate website and 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 website so as to ensure rapid and easy access to information about Türk Telekom. A large portion of this information is provided on the website both in Turkish and English languages. The website covering the related documents accessible at www.turktelekom.com.tr is periodically updated. Further details are presented under the heading 'Corporate 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 2009 activities were provided by Ernst and Young, which performs said 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 private auditor.

The Company's Articles of Association contain no provisions stipulating the request for appointment of a special auditor as an individual right. However, pursuant to article 348/2 of the Turkish Commercial Code, the Capital Market Law and applicable legislation, minority shareholders representing one twentieth of the Company's share capital are entitled to exercise this right.

1.3. Board Meetings

- With Resolution No. 1 from Meeting No. 1 of 07.01.2009,

Due to changes in Board of Directors memberships, which took place at our Company's Extraordinary General Assembly of 14.11.2008, and in consideration of the Board of Directors Decision No. 15 of 09.06.2008, it was decided to elect Mohammed HARIRI as Chairman, and Ibrahim ŞAHİN and Saad Zafer M. AL KAHTANI as members of the Board of Auditors.

- With Resolution No. 4 from Meeting No. 2 of 28.01.2009,

It was decided to hold our Company's 2009 Extraordinary General Assembly on 25.02.2009 at 10:30 at the address "Türk Telekomünikasyon A.Ş. Genel Müdürlük Kültür Merkezi, Turgut Özal Bulvarı 06103 Aydınlıkevler, Ankara."

- With Resolution No. 5 from Meeting No. 3 of 19.02.2009,

It was decided to approve the consolidated financial statement belonging to the period from 01.01.2008 to 31.12.2008, which were prepared in accordance with Communiqué Serial: XI No: 29 of the Capital Markets Board.

Corporate Governance Principles Compliance Report

• With Resolution No. 18 from Meeting No. 4 of 09.04.2009,

Our Company's Board of Directors decided to recommend at the General Assembly to distribute the 100% of the remaining profit of 2008 as cash dividend after first and second legal reserves are set aside, which amount is 1,490,156,976.53 TL. This amount corresponds to 0.4257591 Kurus (42.57591%) gross cash dividend per each share worth for 1 Kurus nominally, and details of this distribution are as follows:

“It is resolved for the decision of our Company's General Assembly to be held on May 11, 2009;

1. Our company's net profit from activities belonging to the period from January 1, 2008 to December 31 according to the independently audited consolidated financials, which were prepared in accordance with “CMB Communiqué About Financial Reporting in Capital Markets Serial: XI No:29,” is 1,752,212,271.97 TL, and is 2,610,791,955.67 TL according to the clauses of the Turkish Commercial Code,

2. According to the CMB Resolution from Meeting No. 1/6 dated January 9, 2009, the amount of 1,752,212,271.97 TL, which comes out of the after tax profits according to consolidated financial tables, is the base amount for dividend distribution pursuant to the "Announcement on the Distribution of Profits from the 2008 Accounting Period" which was published on January 12, 2009,

3. In accordance with Article 466 of Turkish Commercial Code, it is obligatory to set aside first legal reserves until the reserve amount reaches 20% of the paid in capital. Accordingly, to set aside the 5% of the statutory net profit which is 130,539,597.78 TL as first legal reserves for 2008,

4. After setting aside the first legal reserve of 130,539,597.78 TL from the consolidated net profit of 1,752,212,271.97 TL (base amount for dividend distribution), the remaining amount of 1,621,672,674.19 TL shall be the distributable profit of 2008. Adding the donations of 12,390,000 TL from 2008, the amount of 1,634,062,674.19 TL will be the base for first dividend,

5. The amount of 326,812,534.84 TL, which is equal to 20% of 1,634,062,674.19 TL (first dividend base), which is the minimum dividend payout ratio determined by CMB for 2008, shall be distributed as cash first dividend. The second legal reserve of 131,515,697.65 TL shall be set aside and the remaining 1,163,344,441.69 TL shall be distributed as cash second dividend,
a. Total cash dividend amount to be distributed of 1,490,156,976.53 TL shall be covered by current period net profit,
b. Accordingly 0.4257591 Kurus 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 1,490,156,976.53 TL.

6. Distribution of cash dividends to our shareholders will begin on May 27, 2009 at Merkezi Kayıt Kuruluşu A.Ş. Süzer Plaza Askerocağı Caddesi No: 15 Kat: 2 34367 Elmadag-Şişli, İstanbul.

• With Resolution No. 19 from Meeting No. 4 of 09.04.2009,

It was decided to hold the 2008 Ordinary General Assembly Meeting of our Company on 11.05.2009 at 10:30 at the address "Türk Telekomünikasyon A.Ş. Genel Müdürlük Kültür Merkezi, Turgut Özal Bulvarı, 06103, Aydınlıkevler, Ankara" for discussing and finalizing the following agenda items.

Agenda

1. Opening and Election of the Chairing Committee,

2. Authorization of the Chairing Committee for signing the Minutes of the General Assembly Meeting and the Attendance Roster,

3. Reading, discussing and approval of Board of Directors activity reports, Board of Auditors reports and the summary report of the Independent Auditor for the operating year of 2008,

4. Reading, discussing and approval of balance sheet and profit-loss statements for the operating year of 2008.

5. Deliberating and deciding upon the proposal of the Board of Directors for dividend distribution for 2008,

6. Releasing the members of the Board of Directors and the Board of Auditors from their responsibilities as to 2008 activities and transactions of the Company,

7. Discussing and resolving the proposal of the Board of Directors that the Independent Auditor should continue its duty of auditing the activities and

Corporate Governance Principles Compliance Report

accounts for 2009 pursuant to Article 14 of the CMB Regulation on Independent Auditing in Capital Markets, and Article 17/A of the Company's Articles of Association,

8. Informing the shareholders about dividend distribution and policy,

9. Informing the General Assembly about the information policy prepared by the Board of Directors,

10. Informing the General Assembly about donations and aids made during 2008,

11. Informing the General Assembly about dealings and transactions with related parties in 2008,

12. Deciding to authorize members of the Board of Directors, pursuant to Articles 334 and 335 of the Turkish Commercial Code, to enter, either personally or on behalf of others, into any business(es) that belong or do not belong to the Company's field of activity, or to start partnerships with companies that engage in such businesses, and to carry out other related transactions,

13. Wishes and Closing.

• With Resolution No. 20 from Meeting No. 4 of 09.04.2009,

It was decided to form an Executive Subcommittee, which will be named the "Executive Committee," with the participation of Mohammed Hariri (Chairman), Ibrahim Şahin (Vice Chairman), Abdullah Tivnikli (Member), Saad Zafer M. Al Kahtani (Member), and Boulos H.B. Doany (Member).

• With Resolution No. 21 from Meeting No. 4 of 09.04.2009,
Upon recognizing the need to do so, it was decided to reconstruct the Board of Auditors from Board of Directors members Basile Yared (Chairman), Mehmet Habib Soluk (Member) and Samir Asaad O. Matbouli (Member).

• With Resolution No. 28 from Meeting No. 5 of 10.04.2009,

It was decided to approve the 2008 Annual Report.

• With Resolution No. 29 of 14.04.2009,

With the Resolution of our Company's Board of Directors from April 14, 2009, it was decided to cancel the Board of Directors Decision No. 19 of April 9, 2009; to hold the 2008 Ordinary General Assembly Meeting of our Company on May 11, 2009 at 10:30 at the address "Türk Telekomünikasyon A.Ş. Kültür Merkezi Turgut Özal Bulvarı, Aydınlıkevler, Ankara" for discussing and finalizing the below-listed agenda items; and accordingly to add Item No. 5 to the General Assembly Meeting agenda.

Agenda

1. Opening and Election of the Chairing Committee,

2. Authorization of the Chairing Committee for signing the Minutes of the General Assembly Meeting and the Attendance Roster,

3. Reading, discussing and approval of Board of Directors activity reports, Board of Auditors reports and the summary report of the Independent Auditor for the operating year of 2008,

4. Reading, discussing and approval of balance sheet and profit-loss statements for the operating year of 2008,

5. Approving that losses from previous periods be deduced from reserves, and that such deduction be reflected onto semiannual financial tables for 2009,

6. Deliberating and deciding upon the proposal of the Board of Directors for dividend distribution for 2008,

7. Releasing the members of the Board of Directors and the Board of Auditors from their responsibilities as to 2008 activities and transactions of the Company,

8. Discussing and resolving the proposal of the Board of Directors that the Independent Auditor should continue its duty of auditing the activities and accounts for 2009 pursuant to Article 14 of the CMB Regulation on Independent Auditing in Capital Markets, and Article 17/A of the Company's Articles

Corporate Governance Principles Compliance Report

- of Association,
9. Informing the shareholders about dividend distribution and policy,
10. Informing the General Assembly about the information policy prepared by the Board of Directors,
11. Informing f the General Assembly about donations and aids made during 2008,
12. Informing the General Assembly about dealings and transactions with related parties in 2008,
13. Deciding to authorize members of the Board of Directors, pursuant to Articles 334 and 335 of the Turkish Commercial Code, to enter, either personally or on behalf of others, into any business(-es) that belong or do not belong to the Company's field of activity, or to start partnerships with companies that engage in such businesses, and to carry out other related transactions,
14. Wishes and Closing.
- With Resolution No. 30 of 20.04.2009,

It was decided to approve the consolidated financial statement belonging to the period from 01.01.2009 to 31.03.2009, which were prepared in accordance with Communiqué Serial: XI No: 29 of the Capital Markets Board.

- With Resolution No. 31 of 29.04.2009,

It was decided to approve amendments to our Company's Information Policy, which were made in accordance with Communiqué Serial: 8 No: 54 of the Capital Markets Board.

- With Resolution No. 34 from Meeting No. 6 of 10.06.2009,

It was decided to approve the Working Procedures and Principles and the powers of the Executive Committee of the Company.

- With Resolution No. 38 from Meeting No. 6 of 10.06.2009,

In order to contribute to education in our country within the framework of the Support to Education Project initiated by the Ministry of National Education, it was decided to build a high school in Boyabat subprovince of Sinop, a primary school in Şebinkarahisar subprovince of Giresun, and Lodging Building with 10 apartments in Iliç subprovince of Erzincan. Funds required for described projects will be paid by adding an appropriation of 13.500.000 TL to sub-item E.1.1.8, “Telekom Schools” of the “Core Network” Project No. TTYP.09.020 included in the 2009 Investment Program; and, until said fund is entirely spent, it will be obligatory to transfer any remaining amounts to the investment program of the following year. It was decided to authorize the CEO to perform any and all kinds of procedures and transactions in relation to said projects.

- With Resolution No. 40 from Meeting No. 6 of 10.06.2009,

It was decided to sign, deliver and execute the Certificate of Amendments attached to the finance agreements signed by Türk Telekomünikasyon A.Ş. in April 2007 with various banks and finance institutions in order to repay certain fees, premiums, expenses and costs arising from financing of the restructuring of existing debts, the operational capital, the multi tranche project, and the development and operation of the mobile telecommunications system of Avea İletişim Hizmetleri A.Ş., a subsidiary of Türk Telekomünikasyon A.Ş.; it was decided to sign and deliver Precondition Documents; and to collectively authorize our Company's CEO Boulos H.B. Doany and any of the Board Members representing the TR Undersecretariat of Treasury, namely İbrahim Şahin, Mehmet Habib Soluk, Ali Arıduru or İsmet Yılmaz, for signing and delivering all Certificates of Amendment and all required Precondition Documents in a way to fully represent and bind our Company.

- With Resolution No. 42 from Meeting No. 7 of 20.07.2009,

It was decided to authorize the consolidated financial tables belonging to the period from 01.01.2009 to 30.06.2009, which were prepared in accordance with the International Financial Reporting Standards as per Communiqué Serial: XI No: 29 of the Capital Markets Board .

- With Resolution No. 43 from Meeting No. 7 of 20.07.2009,

Corporate Governance Principles Compliance Report

It was decided to authorize the Executive Committee for any changes to be made at directorate and equivalent level within central units, which may arise in relation to the organizational structure of the Company; and to authorize the CEO for restructuring the provincial organization and filling those positions that are created by changes at directorate and equivalent level; and also to change the number of permanent staff for units, giving due consideration to the total number of permanent staff determined for the whole company, which change may be necessary in relation to the restructuring of central/provincial units.

- With Resolution No. 53 from Meeting No. 7 of 20.07.2009,

It was decided to authorize the CEO for the procurement of the China Construction Bank loan, and for signing any and all loan agreements and other related documents to be executed in relation thereto.

- With Resolution No. 54 from Meeting No. 7 of 20.07.2009,

It was decided that the Board of Directors will form a committee with Mohammed Hariri as its Chairman, and David Cook, Nurhan Kılıç and Rami Aslan as its members, which will invite proposals from international banks in relation to a potential borrowing of up to 750 million US Dollars by our Company through club agreement or international syndication, and will increase or decrease the said amount according to the conditions attached to the proposals received from banks, and will present its findings and recommendations to the Board of Directors for final approval.

- With Resolution No. 55 from Meeting No. 8 of 11.09.2009,

It was decided, in order to provide export financing for goods and services to be procured by our subsidiary Avea İletişim Hizmetleri A.Ş. from Ericsson AB ve Ericsson Telekomünikasyon A.Ş. in relation to its 2G and 3G investments, to procure a loan of 380.000.000 US Dollars total worth through ABN AMRO BANK N.V., Stockholm Branch, BNP PARIBAS, London Branch and ING BANK N.V., and under the Guarantee of the Swedish Export Credits Guarantee Board (“EKN”); and accordingly to sign a loan agreement of up to 380.000.000 US Dollars total worth between our Company (Debtor) and ABN AMRO BANK N.V., Stockholm Branch, Facility Agent, EKN Agent, SEK Agent and ABN AMRO BANK N.V., Stockholm Branch, BNP PARIBAS, London Branch and ING BANK N.V.; and to collectively authorize our Company's CEO Boulos H.B. Doany and any of the Board Members representing the TR Undersecretariat of Treasury, namely İbrahim Şahin, Mehmet Habib Soluk, Ali Arıduru or İsmet Yılmaz, for full representation and binding of our Company; and to individually authorize our Company's CEO Boulos H.B. Doany for signing any Precondition Documents to be provided by our Company within the framework of the Loan Agreement.

- With Resolution No. 56 from Meeting No. 8 of 11.09.2009,

It was decided, with ex officio Board of Directors Resolution No. 54 of 20.07.2009, to form a committee which will invite proposals from international banks in relation to a potential borrowing of up to 750 million US Dollars by our Company through club agreement or international syndication, and will, after having evaluated proposals, present qualifying proposal(s) to the Board of Directors for final approval. Accordingly, it was decided to collectively authorize our Company's CEO Boulos H.B. Doany and any of the Board Members representing the TR Undersecretariat of Treasury, namely İbrahim Şahin, Mehmet Habib Soluk, Ali Arıduru or İsmet Yılmaz, for the procurement of said Club Funds, and for signing loan agreements and any other documents to be executed to that end.

- With Resolution No. 57 from Meeting No. 9 of 15.09.2009,

Since our Company's VP Finance Ersin Topçuoğlu resigned his position as of September 15, 2009, it was decided to temporarily assign his duties to David Cook, who will serve as Acting CFO from the day of Topçuoğlu's resignation until a new CFO is appointed, and to grant Cook a Class D signatory authorization during his time as Acting CFO.

- With Resolution No. 70 from Meeting No. 11 of 20.10.2009,

It was decided to appoint Ramazan Demir as VP Strategy and Business Development of our Company, and to grant him Class D signatory authorization.

- With Resolution No. 71 from Meeting No. 11 of 20.10.2009,

Reviewing the report of 20.10.2009 which had been prepared by Ernst&Young has led to an impression that the loan transactions of 30.09.2009 effected between our Company and our subsidiary Avea İletişim Hizmetleri A.Ş. have been performed under fair and reasonable conditions.

Corporate Governance Principles Compliance Report

• With Resolution No. 77 of 25.12.2009,

Pursuant to Article 330/2 of the Turkish Commercial Code, it was decided to approve amendments to the Information Policy of Türk Telekomünikasyon A.Ş. upon consent of the Board Members.

• With Resolution No. 78 of 25.12.2009,

It was decided to revise as attached and approve Articles 3, 52, and 57 of the “Türk Telekomünikasyon A.Ş. Human Resources Working Principles,” which applies to those employees who have a Service Contract with our Company and are not covered by a collective labor agreement, and the “Türk Telekomünikasyon A.Ş. Ethical Principles,” which apply to all employees, both of which will be effective on the date of signing.

1.4. 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 otherwise 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 to 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 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 sales 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.

During 2009, an Extraordinary General Assembly Meeting convened on April 25, 2009 where 90% of the Company shares were represented in proxy, and the 2008 Ordinary General Assembly Meeting convened on May 11, 2009 where 90% of the Company shares were represented in proxy and 0,02% were represented in person.

The rules governing the Company's General Assembly meetings are covered in Türk Telekomünikasyon A.Ş. Articles of Association which is publicly disclosed and posted on the corporate website. According to Article 31 thereof, 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 and so as 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 website.

Corporate Governance Principles Compliance Report

The Company's Class A shares held by Ojer Telekomünikasyon A.Ş. and Class C shares held by the Undersecretariat of Treasury are registered, whereas 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 in the aftermath of the public offering and submitted their Custody Statements to the Company.

An Extraordinary General Assembly Meeting was held on February 25, 2009, during which the Chairman of the Chairing Committee read the following statement sent by the CEO, who is a member of the Board of Directors: “Tender process of Macedonia Telecom Operator Cosmofon still continues, related to the issue, decision dated December 4, 2008 and numbered 61 was taken by the Company's Board of Directors and it was announced via a Regulatory Disclosure to the public. Furthermore, the process of pre-assessment about the purchase of the businesses in IT sector to support the Company's products and services still continues. Further developments regarding the issue will be announced. As it is known that in accordance with the Article 21 of the Company's Articles of Association headed “Invitation to the Meeting, Quorum”, the Company's purchase of another company's substantial part is adjudicated by the General Assembly,” and Agenda Item No. 3 was put to voting in the light of this explanation. At the outcome of voting, it was decided that our Company and/or Group Companies may acquire one or more companies during 2009 provided that the price of such acquisition does not exceed a total of 1.000.000.000 (one billion) American Dollars within a one year period; it was also decided to authorize the Board of Directors, and/or one or more Board members which may be authorized by the Board, to perform all tasks and transactions related to acquisitions in a way to defend our Company's interests; to place a final bid or to abandon the acquisition all together; and to sign acquisition contracts and other documents. Particulars related to said Extraordinary General Assembly meeting were published on the Turkish Trade Registry Gazette No. 7263 dated 05.03.2009. In addition, the relevant Regulatory Disclosure of Material Event made by our Company was also published on the ISE Daily Bulletin of 25.02.2009.

At the 2008 General Assembly Meeting of our Company held on 11 May 2009;

1. Annual Report of the Board of Directors, Report of the Board of Auditors and summary reports of the Independent Auditor for the operational year of 2008 were read, discussed and approved,

2. Balance sheet and profit- loss accounts for the operational year of 2008 were read, discussed and approved,

3. Offsetting of previous years' losses against reserves and including said offsetting entry in 2009 mid-year financial tables was approved,

4. The proposal of Board of Directors regarding the distribution of profit from 2008 was negotiated and approved,

5. Members of Board of Directors and Audit Board were acquitted due to our Company's operations and transactions in 2008,

6. It was approved that Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. maintain its function of analyzing and auditing 2009 operations and accounts,

7. Our shareholders were informed about dividends and dividend policy,

8. General Assembly was informed about the disclosure policy issued by Board of Directors,

9. General Assembly was informed about donations and aids made in 2008,

10. General Assembly was informed about transactions made with related parties,

11. Members of Board of Directors were authorized to transact businesses either in relation to the Company or not, either in his/her own name or in someone else's name, or to be partner of companies doing such transactions and to do other transactions in accordance with 334th and 335th articles of TCC.

Particulars related to said Extraordinary General Assembly meeting were published on the Turkish Trade Registry Gazette No. 7315 dated 21.05.2009. In addition, the relevant Regulatory Disclosure of Material Event made by our Company was also published on the ISE Daily Bulletin of 11.05.2009. In addition to the foregoing, minutes of our General Assembly Meeting are made available for uninterrupted access by our shareholders at www.turktelekom.com.tr.

Corporate Governance Principles Compliance Report

1.5. Voting Rights 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 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 ledger

As required by the Company's Articles of Association, holder of the Class C golden share will have one member on the Board of Directors of Türk Telekom to represent the golden share. Holder of the Class C golden share may not participate in capital increases. At the Extraordinary General Assembly Meeting of November 14, 2008, 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 right 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 2008.

1.6. 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, 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 by applicable legislation.

Our Company adopts a policy of distributing the whole amount of dividends that are distributable as per CMB regulations. On the other hand, in drawing up 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 creditors.

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 proposal by the Board of Directors, in accordance with the provisions of the Capital Market Law and applicable legislation.

1.7. 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 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.

Corporate Governance Principles Compliance Report

2. Public Disclosure and Transparency

2.1. Company Disclosure Policy

Türk Telekom disclosure policy has been formulated 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. The disclosure policy is posted on the corporate website -www.turktelekom.com.tr- 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 said 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 Audit Board and the Board of Directors in the fulfillment of these responsibilities.

2.2. Regulatory Disclosures of Material Events

Pursuant to the CMB Communiqué on Principles Governing Disclosure of Material Events, Türk Telekom made 49 material event disclosures in 2009 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.

2.3. Corporate Website and its Content

Türk Telekom website accessible at www.turktelekom.com.tr 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 on corporate identity
- Vision, mission and values
- Company organization and ownership structure
- Information on the members of the Board of Directors and Company's senior management
- The Company's Articles of Association
- Trade registration data
- Financial data, annual and interim activity reports
- Press releases
- Investor presentations
- Investor calendar
- Date and agenda for the General Assembly meeting
- Minutes and attendance roster of the General Assembly meeting
- Sample power of attorney
- Disclosure policy
- Telecom glossary
- Share performance and analyst coverage
- Public Offering Subscription Circular and Prospectus
- Türk Telekom Call Center and Contact Information
- Contact information for the Capital Markets and Investor Relations Department
- Information on Türk Telekom's social responsibility projects
- Regulatory disclosure of material events
- Activities carried out within the frame of corporate governance principles and Türk Telekom Corporate Governance Principles Compliance Report

Corporate Governance Principles Compliance Report

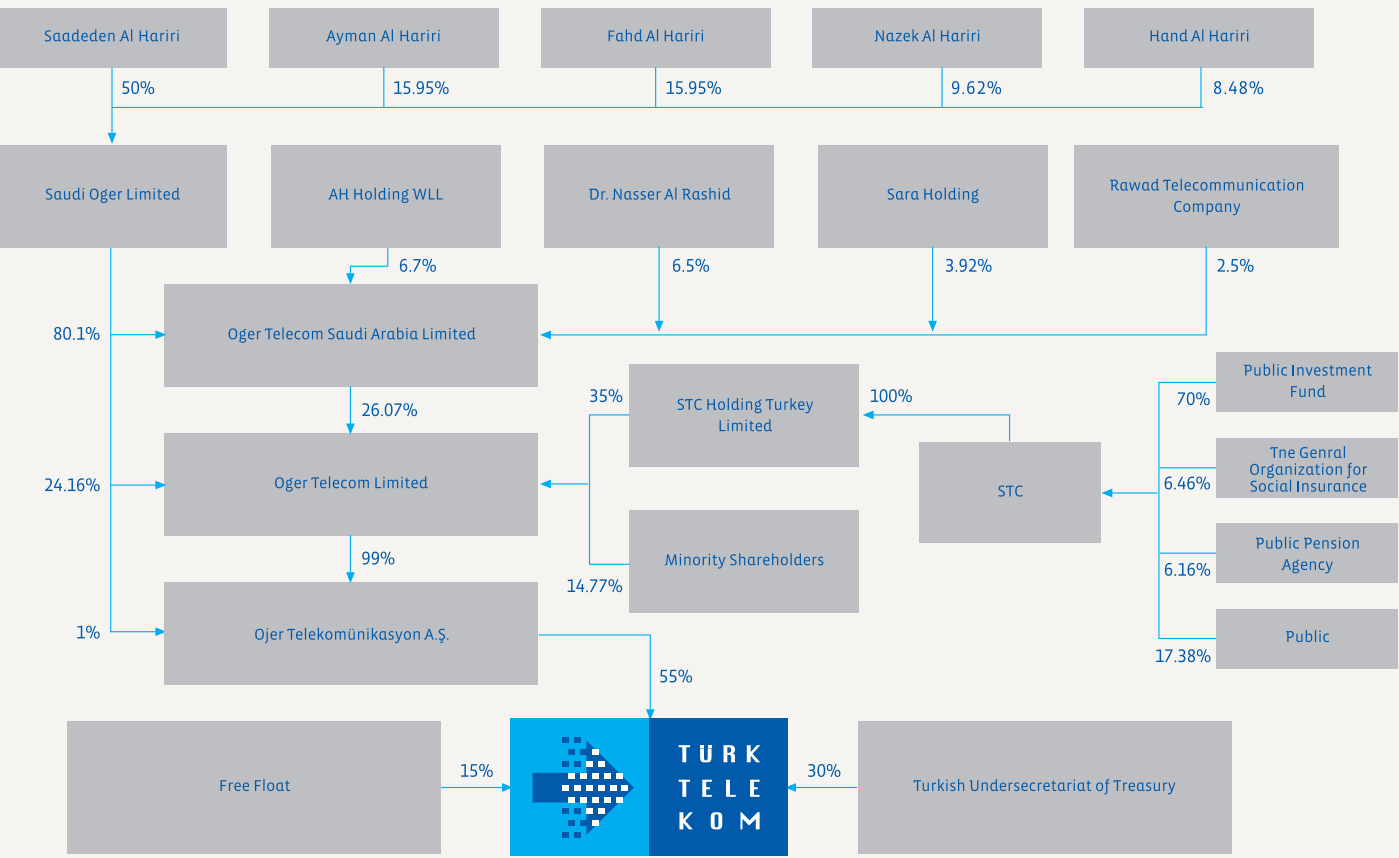
2.4. Company's shareholding structure

Not subject to the authorized capital system, the Company has a 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:

Glass	Shareholder	Share Capital (TL)	Share (%)
A	Ojer Telekomünikasyon A.Ş.	1.925.000.000,00	55
B		971.249.999,99	
C		0,01	
D	TR Undersecretariat of Treasury	78.750.000,00	30
D		525.000.000,00	
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:

Holding 55% stake in the Company, Ojer Telekomünikasyon A.Ş. is owned by Oger Telecom Limited by 99% and Saudi Oger Limited by 1%. STC Turkey Holding Limited, Oger Telecom Saudi Arabia Limited, and Saudi Oger Limited have respective shares of 35%, 26.07% and 24.16% in Oger Telecom Limited, whereas the remaining 14.77% is held by other persons holding less than 5% share. STC Turkey Holding Limited is wholly owned by Saudi Telecom Company. Saudi Telecom Company's shareholders are as follows; Public Investment Fund, The General Organization for Social Insurance, Public Pension Agency, Public with respective shares of 70%, 6.46%, 6.16%, 17.38%. Saudi Oger Limited has 80.1% share in Oger Telecom Saudi Arabia Limited whereas AH Holding WLL holds 6.7%, Dr. Nasser Al Rashid 6.5%, Sara Holding 3.92% and Rawad Telecommunication Company 2.8% share. The shareholders of Saudi Oger Limited are as follows; Saadaden Al Hariri, Ayman Al Hariri, Fahd Al Hariri, Nazek Al Hariri, Hend Al Hariri with respective shares of 50%, 15.95%, 15.95%, 9.62%, 8.48%.



Corporate Governance Principles Compliance Report

2.5. Blackout Period for those who may have Access to Insider Information

In order to achieve compliance with the Capital Markets Law and applicable legislation, a policy concerning “insider trading” has also been devised under the Türk Telekom Disclosure Policy. Within the scope of the said 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. In the blackout period during which trading of Company shares are banned for individuals in the list of those with access to insider information, such individuals may not trade Türk Telekom shares.

2.6. List of People who have Administrative Responsibility

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:

TÜRK TELEKOMÜNİKASYON A.Ş.

Mohammed Hariri	Chairman of the Board of Directors, Chairman of the Executive Committee
Ibrahim Şahin	Vice Chairman of the Board of Directors, Vice Chairman of the Executive Committee
Dr. Paul (Boulos H.B.) Doany	Member of the Board of Directors, Member of the Executive Committee, CEO
Saad Zafer M Al Kahtani	Member of the Board of Directors, Member of the Executive Committee
Abdullah Tivnikli	Member of the Board of Directors, Member of the Executive Committee
Samir Asaad O Matbouli	Member of the Board of Directors, Member of the Board of Auditors
Basile Yared	Member of the Board of Directors, Chairman of the Board of Auditors
İsmet Yılmaz	Member of the Board of Directors
Dr. Ali Arıdurur	Member of the Board of Directors
Mehmet Habib Soluk	Member of the Board of Directors, Member of the Board of Auditors
Efkan Ala	Member of the Board of Auditors
Prof. Dr. Aydın Gülan	Member of the Board of Auditors
Asst. Prof. Tuna Tuğcu	Member of the Board of Auditors
Celalettin Dinçer	VP Operations
David Cook	Acting CFO
Mehmet Candan Toros	VP International and Wholesale
Şükrü Kutlu	VP Regulations and Support Services
Kamil Gökhan Bozkurt	VP Human Resources
Dr. Mehmet Kömürcü	VP Legal
Dr. Ramazan Demir	VP Strategy and Business Development
Erem Demircan	VP Marketing and Communications
Aydın Çamlıbel	VP Sales
Paul Taylor	Deputy VP Commercial Transformation
Nazif Burca	Head of Internal Audit
Nurhan Kılıç	Treasury Director
Mehmet Arif Özeray	Accounting and Tax Director
Abdullah Orkun Kaya	Capital Markets and Investor Relations Director
Süleyman Eken	Director of Budget Planning and Analysis
Mehmet Zafer Pınarcık	Financial Controller

AVEA

Erkan Akdemir	Chief Executive Officer
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TTNET

Tahsin Yılmaz	Chief Executive Officer
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Corporate Governance Principles Compliance Report

3. Stakeholders

3.1. Keeping Stakeholders Informed

Türk Telekom shareholders and investors are kept informed in line with the public disclosure principles. The Company's Customer Services Department 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.

3.2. 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 etc.

3.3. Human Resources Policy

Recruitment

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

Development

Türk Telekom targets to provide opportunities for the personal and professional development of its employees so as to create a performance management concept focused on constant development whereby the employees will be able to realize their full potential, and aims to support corporate goals by enhancing the loyalty of its “human resources”, which is deemed as its most valuable asset, to the Company.

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 are identified as being customer focused, trustworthy, innovative, responsible and dedicated.

3.4. Relations with Customers and Suppliers

With a view to enhancing customer satisfaction, the project “Customer Retention Management” went live. Within the scope of the project, teams at the call center contact our customers in an effort to understand the problems they are faced with and solve their issues, if any. 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 advisory on this subject. In addition, information is offered on campaigns that provide optimum benefits to our customers, thereby trying to increase the benefit our customers derive from Türk Telekom.

3.5. Social Responsibility

Acting on the convergence strategy in its technology investments throughout 2009 coupled with the group synergy attained, the Türk Telekom Group reflects the same strategy in its social responsibility activities.

Aiming to invest in Turkey's future, Türk Telekom undertakes various social responsibility activities focusing on the nation's economic and social needs including, in particular, education, culture and arts, technology, environment and sports, besides the telecommunications field in which it operates. Information on the Company's social responsibility projects are shared with the public also via the corporate website.

4. Board of Directors

4.1. Structure of the Board of Directors

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

- Mohammed Hariri, Chairman
- İbrahim Şahin, Vice Chairman
- Dr. Paul (Boulos H.B.) Doany, Member (CEO)
- Saad Zafer M Al Kahtani, Member
- Abdullah Tivnikli, Member
- Samir Asaad O Matbouli, Member
- Basile Yared, Member
- İsmet Yılmaz, Member
- Dr. Ali Arıduru, Member
- Mehmet Habib Soluk, Member

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 Undersecretariat 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.

4.2. Qualifications of Board Members

The Company's mission, vision and values 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.

4.3. Mission, Vision and Strategic Goals of the Company

The Company's mission, vision and values 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.

4.4. Risk Management and Internal Control Mechanism

While it closely monitors the innovations of the era in a variety of fields, Türk Telekom has transformed its deeply rooted Inspection Department as of June 2007 into the Internal Audit Department which will perform risk-based audits, to ensure a modern and efficient internal audit system that has become the primary topic worldwide particularly in the recent years. In keeping with corporate governance requirements imposed by the CMB legislation, in June 2008 Türk Telekom has formed an Audit Committee by members elected from among non-executive members on the Board of Directors. The Internal Audit Department has started to report to the Audit Committee as of the same date, in order to guarantee independence and objectivity. The Audit Committee is assigned with the monitoring of the effectiveness and adequacy of the Company's internal audit, internal control and risk management functions on behalf of the Board of Directors and shareholders. The Committee also supervises the accuracy of financial data produced by the Company; undertakes a preliminary assessment in the selection of independent audit firms, and regularly supervises the activities of the audit firm selected by the General Assembly.

Based on the authority granted by the Audit Committee and the Board of Directors, the Internal Audit Department mainly performs regular risk assessments within the organization, carries out financial, operational and compliance audits in relation to areas posing high risks, develops action plans in cooperation with the executives to minimize the risks with respect to control vulnerabilities identified in these areas, and controls and monitors the timely implementation of these actions, as well as controlling the accuracy of financial statements and conformity of activities to the law. The internal auditing of Group companies is the responsibility of each company's own management, and the Internal Audit Department conducts audits and coordinates audit activities at these companies, as and when necessary.

During 2009, as a preparation to risk assessment within our company, interviews were held, under the coordination of consultant company Price Waterhouse Coopers, with all business units in order to define all major risks and organize risk management activities. During said work, over 200 main risks were grouped and assessed according to their levels of importance, about which the Senior Management was informed, awareness was raised thereof, and the matter of managing these risks was referred to relevant VPs. At meetings held between the Executive Committee and the CEO and the VPs, outcome of risk-mitigating activities is discussed on regular basis. The plan is to periodically update risk assessments, and implement risk management across all companies of the group.

Corporate Governance Principles Compliance Report

4.5. 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.

4.6. Operating Principles of the Board of Directors

Within the frame 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. In this frame, the meeting date, agenda and relevant documents are sent to Board members for their review 15 business days in advance of the meeting.

4.7. 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 in this respect.

4.8. 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. The Code of Ethics is a body of rules that must be abode 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 for 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 Company's all 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 relationship with the 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 Stationary

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 obliged to return any and all negotiable, non-negotiable instruments, files, written information, documents, records and fixtures etc. 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.

Corporate Governance Principles Compliance Report

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 persons 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.

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 Presents, Invitations or Donations on behalf of the Company

Presents 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, etc. Aids or donations can be made to an organization on behalf of the Company strictly subject to the approval of the CEO.

Accepting Presents: Presents may not be asked for from customers, subcontractors, and/or suppliers, nor such a request may be implied. No presents, money, checks, free vacations, special discounts, etc. may be accepted which might put the Company and the recipient of the present under any obligation. Presents 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 presents 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, subcontractors, etc. 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 concerned 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.

Corporate Governance Principles Compliance Report

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 forthwith.

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 suretyship.
- 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 towards 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, etc. 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 thereof minimized.

4.9. 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. As per Article 10 of the Audit Committee Regulation, 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 Board of Directors subcommittee titled Executive Committee was set up at the Board of Directors meeting held on April 9, 2009. Mohammed Hariri was elected as the chairman of this committee, while Ibrahim Şahin was elected as its vice-chairman and Abdullah Tivnikli, Saad Zafer M. Al Kahtani were elected as its members.

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 are being carried out by the Capital Markets and Investor Relations Department.

4.10. 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 and 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 TABLES APPROVED BY THE BOARD OF DIRECTORS

RESOLUTION DATED: 11/02/2010

RESOLUTION NO: 4

ANNUAL REPORT APPROVED BY THE BOARD OF DIRECTORS

RESOLUTION DATED: 08/03/2010

RESOLUTION NO: 22

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, 2009, which was prepared in accordance with the International Accounting Standards/International Financial Reporting Standards pursuant to the Capital Markets Board Communiqué Serial: XI, No:29 on “Principles for Financial Reporting in the Capital Market,” and was approved by the Board of Directors Decision No. 4 of 11/02/2010; and the Board of Directors Annual Report for 2009,

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,

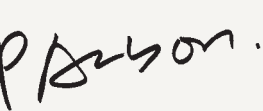
3. According to information to which we have access as a part of our duties and responsibilities within the Company, the consolidated financial tables, which have been prepared in accordance with applicable financial reporting standards, faithfully reflect the assets, liabilities, financial standing 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,

Mustafa Arif Özeray
Accounting and Tax Director



Dr. Paul (Boulos H.B.) Doany
CEO



*Independent Auditors' Report***TÜRK TELEKOMÜNİKASYON ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2009 AND INDEPENDENT AUDITORS' REPORT

To the Shareholders of Türk Telekomünikasyon Anonim Şirketi;

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

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

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

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

Opinion

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

Additional paragraph for convenience translation to English:

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

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

Metin Canoğulları, SMMM

11 February 2010
Istanbul, Turkey

Consolidated balance sheet as at 31 December 2009 (Currency - in Thousands of Turkish Lira (“TL”))

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

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

Consolidated balance sheet as at 31 December 2009 (Currency - in Thousands of Turkish Lira (“TL”))

	Notes	Current period Audited 31 December 2009	Prior period Audited 31 December 2008
Liabilities			
Current liabilities			
		4.664.947	3.548.688
Financial liabilities			
- Bank borrowings	7	2.154.838	1.285.578
- Obligations under finance leases	9	5.446	5.233
Other financial liabilities			
- Derivative financial instruments	17	58.835	-
Trade payables			
- Due to related parties	10	23.820	21.517
- Other trade payables	8	858.058	881.319
Other payables			
- Other payables		39.903	29.294
Income tax payable	33	149.982	93.882
Provisions	23	248.595	232.075
Other current liabilities	12	1.125.470	999.790
Non-current liabilities			
		3.314.449	3.997.151
Financial liabilities			
- Bank borrowings	7	1.777.309	2.122.904
- Obligations under finance leases	9	36.483	41.527
Other financial liabilities			
- Minority put option liability	11	543.103	586.439
- Derivative financial instruments	17	48.179	209.515
Other payables			
- Due to related parties	10	-	336
- Other payables		8.942	16.094
Provisions	23	7.139	5.126
Provisions for employee termination benefits	23	634.171	667.148
Deferred tax liability	14	252.638	338.504
Other non-current liabilities	12	6.485	9.558
Equity			
		5.421.966	5.113.607
Equity attributable to parent			
Paid-in share capital	24	3.500.000	3.500.000
Inflation adjustments to paid in capital	24	(239.752)	(239.752)
Other reserves			
- Minority put option liability reserve	11	(488.749)	(386.719)
- Fair value difference arising from acquisition of subsidiary	24	(308.634)	(294.065)
- Unrealized loss on derivative financial instruments		(86.441)	(169.957)
- Share based payment reserve	25	9.528	9.528
Currency translation reserve		(188)	(57)
Restricted reserves allocated from profits		1.204.192	1.231.408
Retained earnings / (accumulated deficit)	24	280	(288.991)
Net income for the year		1.831.730	1.752.212
Total liabilities and equity			
		13.401.362	12.659.446

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

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

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

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

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

Consolidated comprehensive income statement for year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”))

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

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

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

	Other reserves											Total equity
	Paid-in share capital	Inflation adjustment paid in capital	Restricted reserves allocated from profits	Minority put option liability reserve	Share based payment reserve (Note 25)	Difference arising from acquisition of subsidiary	Unrealized loss on derivative financial instruments	Currency translation reserve	Retained earnings/ (accumulated deficit)	Net income for the year	Minority interest	
Balance as at 1 January 2008	3.500.000	(239.752)	816.348	(436.811)	-	(294.065)	(55.554)	-	322.810	2.546.864	-	6.159.840
Transfer to retained earnings	-	-	-	-	-	-	-	-	2.546.864	(2.546.864)	-	-
Transfer to restricted reserves allocated from profits	-	-	415.060	-	-	-	-	-	(415.060)	-	-	-
Minority interest before classification to minority put option liability (Note 24)	-	-	-	-	-	-	-	-	-	-	351.189	351.189
Minority put option liability	-	-	-	50.092	-	-	-	-	-	-	(199.720)	(149.628)
Share based payment reserve (Note 25)	-	-	-	-	9.528	-	-	-	-	-	-	9.528
Other comprehensive income / (loss)	-	-	-	-	-	-	(114.403)	(57)	-	-	(26.627)	(141.087)
Dividend paid (Note 24)	-	-	-	-	-	-	-	-	(2.743.605)	-	-	(2.743.605)
Net profit for the year	-	-	-	-	-	-	-	-	-	1.752.212	(124.842)	1.627.370
Balance as at 31 December 2008	3.500.000	(239.752)	1.231.408	(386.719)	9.528	(294.065)	(169.957)	(57)	(288.991)	1.752.212	-	5.113.607
Balance as at 1 January 2009	3.500.000	(239.752)	1.231.408	(386.719)	9.528	(294.065)	(169.957)	(57)	(288.991)	1.752.212	-	5.113.607
Transfer to restricted reserves allocated from profits	-	-	261.775	-	-	-	-	-	280	(262.055)	-	-
Transfer of accumulated deficit to restricted reserves allocated from profits (Note 24)	-	-	(288.991)	-	-	-	-	-	288.991	-	-	-
Minority interest before classification to minority put option liability (Note 24)	-	-	-	-	-	-	-	-	-	-	199.720	199.720
Minority put option liability	-	-	-	(102.030)	-	-	-	-	-	-	(54.354)	(156.384)
Other comprehensive income / (expense)	-	-	-	-	-	-	83.516	(131)	-	-	19.768	103.153
Difference due to the change in shareholding rate in a subsidiary	-	-	-	-	-	(14.569)	-	-	-	-	14.569	-
Dividend paid (Note 24)	-	-	-	-	-	-	-	-	-	(1.490.157)	-	(1.490.157)
Net income for the year	-	-	-	-	-	-	-	-	-	1.831.730	(179.703)	1.652.027
Balance as at 31 December 2009	3.500.000	(239.752)	1.204.192	(488.749)	9.528	(308.634)	(86.441)	(188)	280	1.831.730	-	5.421.966

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

Consolidated statement of cash flows for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”))

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

Corporate organization and activities

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

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

According to the permission of the Capital Market Board (“CMB”) numbered 22/256, out of 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 2009 and 31 December 2008, the ultimate parent and controlling party of the Company is Saudi Oger Ltd (“Saudi Oger”), because of its controlling ownership in Oger Telecom.

A concession agreement (“the Concession Agreement”) was signed by the Company and the Information and Communication Technologies Authority (“ICTA”) (formerly named Turkish Telecommunication Authority (“TA”) as at November 14, 2005 (Note 26). The Concession Agreement covers the provision of all kinds of telecommunication services, establishment of necessary telecommunications facilities and the use of such facilities by other licensed operators and the marketing and supply of telecommunication services. The term of the Concession Agreement is 25 years starting from February 28, 2001.

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

Notes to the consolidated financial statements for the year ended 31 December 2009 (continued)
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

1. Corporate organization and activities (continued)

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

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

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

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

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

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

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

2. Basis of preparation financial statements

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

2.1. Basis of presentation of the consolidated financial statements

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

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

The consolidated financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with the Accounting Standards of the CMB and are presented in 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, and the effects of application of IFRS 3 “Business Combinations”.

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

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

Notes to the consolidated financial statements for the year ended 31 December 2009 (continued)
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

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

Additional paragraph for convenience translation to English:

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

2.2. Changes in accounting policies

The acquisition of Sebit on 17 December 2007 had been accounted provisionally at 31 December 2007 subject to change in accordance with IFRS 3. The Purchase Price Allocation (PPA) accounting for Sebit has been finalized as at 31 December 2008 and the assets, liabilities and contingent liabilities determined based on IFRS 3 have been recorded based on their fair values at the date of acquisition. Fair value difference amounting to TL 2.011 has been reflected to consolidated income statement as the PPA accounting has been finalized.

New standards and interpretations:

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

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

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

The amendments to IFRS 1 allows an entity to determine the “cost” of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or at the fair value of the investment at the date of transition to IFRS, determined in accordance with IAS 39 or at the previous GAAP carrying amount of the investment at the date of transition to IFRS. The amendment does not have any effect on Group's financial performance.

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

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

Amendments to IFRS 7 “Financial Instruments: Disclosures”

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

IFRS 8 “Operating Segments”

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

Amendments to IAS 1 “Presentation of Financial Statements”

IAS 1 has been revised to enhance the usefulness of information presented in the financial statements. The statement of changes in equity includes only transactions with owners, defined as 'holders of instruments classified as equity'. All non-owner changes are presented in equity as a single line, with details included in a separate statement. The introduction of a new statement of comprehensive income that combines all items of income and expense recognised in profit or loss together with 'other comprehensive income'. Entities may choose to present all items in one statement, or to present two linked statements, a separate income statement and a statement of comprehensive income. The Group has presented both comprehensive income statement and income statement as two separate statements.

Notes to the consolidated financial statements for the year ended 31 December 2009 (continued)
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

Amendments to IAS 23 “Borrowing Costs”

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

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

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

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

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

- (a) The date when the entity first became a party to the contract, and
- (b) The date of a change in the terms of the contract that significantly modifies the cash flows that otherwise would have been required under the contract.

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

IFRIC 13 “Customer Loyalty Programmes”

The interpretation requires loyalty award credits granted to customers in connection with a sales transaction to be accounted for as a separate component of the sales transaction. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. Currently, Avea offers free counters to its existing customers based on their past consumption value. The Group considers these free granted counters in revenue recognition recorded as deferred revenue. The Group does not have any other customer loyalty program under the scope of IFRIC 13.

IFRIC 15 “Agreements for the Construction of Real Estate”

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

IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”

IFRIC 16 concludes that the presentation currency does not create an exposure to which an entity may apply hedge accounting. Consequently, a parent entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency

and that of its foreign operation. The hedging instrument(s) may be held by any entity or entities within the group. The amendment does not have any effect on Group's financial performance.

IFRIC 18 “Transfers of Assets from Customers”

This interpretation provides guidance on how to account for items of property, plant and equipment received from customers or cash that is received and used to acquire or construct specific assets. The interpretation does not have any effect on Group's financial performance as at 31 December

2009. However, the Group will reflect the effect of the interpretation to its consolidated financial statements in case of transactions within the scope of IFRIC 18 in the future periods.

Improvements to IFRS (issued in 2008)

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

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

Notes to the consolidated financial statements for the year ended 31 December 2009 (continued)
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

Standards amended by IASB in May 2008 are as follows:

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

Improvements to International Financial Reporting Standards (issued in 2009)

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

Standards amended by IASB are as follows:

- IFRS 2: Scope of IFRS 2 and revised IFRS 3
- IFRS 5: Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations
- IFRS 8: Disclosure of information about segment assets
- IAS 1: Current/non-current classification of convertible instruments
- IAS 7: Classification of expenditures on unrecognised assets
- IAS 17: Classification of leases of land and buildings
- IAS 18: Determining whether an entity is acting as a principal or as an agent
- IAS 36: Unit of accounting for goodwill impairment test
- IAS 38: Additional consequential amendments arising from revised IFRS 3
- IAS 38: Measuring the fair value of an intangible asset acquired in a business combination
- IAS 39: Treating loan prepayment penalties as closely related embedded derivatives
- IAS 39: Scope exemption for business combination contracts
- IAS 39: Cash flow hedge accounting
- IFRIC 9: Scope of IFRIC 9 and revised IFRS 3
- IFRIC16: Amendment to the restriction on the entity the entity that can hold hedging instruments

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

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2009 (continued)
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

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

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

The revised IFRS 3 introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition related costs and recognizing subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill). The amended IAS 27 requires that a change in ownership interest of a subsidiary is accounted for as an equity transaction. Therefore such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Change in the shareholding percentage of the Company in Avea has been accounted as “Difference arising from an acquisition of a subsidiary”.

Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” - “Eligible Hedged Items”

The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment does not have any effect on Group's financial performance.

IFRIC 17 “Distributions of Non-cash Assets to Owners”

The Interpretation applies to all non-reciprocal distributions of non-cash assets, including those giving the shareholders a choice of receiving non-cash assets or cash. This interpretation is to be applied prospectively. The interpretation does not have any effect on Group's financial performance.

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

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

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2009 (continued)
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

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

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

2.3. Basis of consolidation

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

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

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

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

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

3. Valuation basis and Significant accounting policies applied

Business combinations

The new companies/subsidiaries of the Group acquired from third parties have been accounted for using the purchase method of accounting in the scope of IFRS 3. The purchase method of accounting involves allocating the cost of acquisition to the assets acquired and liabilities and contingent liabilities assumed based on their fair values at the date of acquisition. Assets, liabilities and contingent liabilities that are determined in the scope of IFRS 3 are recognized at fair values at the acquisition dates.

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

Goodwill

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

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

Notes to the consolidated financial statements for the year ended 31 December 2009 (continued)
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

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

Investment in an associate

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

Property, plant and equipment

Property, plant and equipment (“PPE”) of the Group is carried at cost less accumulated depreciation and any accumulated impairment losses. The Group elected to measure property, plant and equipment of the Company on a deemed cost basis in the first period of application of IAS 29 since detailed records of the acquisition date and costs of items of PPE were not available for the Company prior to 1 January 2000. The Group used independent professional assessments of the fair value of PPE as the basis for their restatement. The deemed cost values as at 1 January 2000 for land and buildings were appraised by three CMB licensed real-estate valuation companies in 2006 on a retrospective basis. The network equipment and vehicles values as at 31 December 1999 were appraised by Detecon International GmbH (a subsidiary of 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.

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

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

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

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

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2009 (continued)
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

Revenue sharing projects

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

Investment property

Investment properties, which are properties held to earn rent and/or for capital appreciation are measured initially at cost, including transaction costs and subsequent to initial recognition, investment properties, are stated at their cost less accumulated depreciation and any accumulated impairment losses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. The Group decided to measure investment property on a deemed cost basis in the first period of application of IAS 16, since detailed records of the acquisition date and costs of items of investment property were not available prior to 1 January 2000. Professional assessments of the 1 January 2000 market values were conducted by three CMB licensed independent real-estate appraisers in 2006 on a retrospective basis. Following initial recognition, investment properties are carried at cost less any accumulated amortization and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of investment properties other than land, over their estimated useful economic lives, using the straight-line method. The lower of concession period and useful life for buildings belonging to the Group is 21 years (considering the Concession Agreement, 2009 acquisitions' useful lives are limited to 17 years).

Assets held for sale

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

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

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

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

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is charged to the consolidated statement of income in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or infinite. The Group does not have any intangibles with infinite useful lives. Intangible assets with finite lives are amortized on a straight line basis over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income. The amortization periods for intangible assets are between 3 and 20 years. The remaining useful lives of the intangible items are limited to the concession periods (considering the Concession Agreement, 2009 acquisitions' useful lives are limited to 17 years).

Notes to the consolidated financial statements for the year ended 31 December 2009 (continued)
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

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.

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

Inventories

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

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

Financial instruments

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

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

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

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

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.

Notes to the consolidated financial statements for the year ended 31 December 2009 (continued)
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

Trade and other receivables and allowances for doubtful receivables

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

Trade and other payables

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

Financial borrowings

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

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

Derivative financial instruments

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

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

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

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

Cash flow hedges

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

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

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

If the forecast transaction or commitment is no longer expected to occur, amounts previously recognized in the consolidated comprehensive income statement are transferred to consolidated income statement.

Equity instruments

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

Notes to the consolidated financial statements for the year ended 31 December 2009 (continued)
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

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.

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

Related parties

Parties are considered related to the Group if;

- (a) directly, or indirectly through one or more intermediaries, the party;
- (i) controls, is controlled by, or is under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries);
- (ii) has an interest in the Group that gives it significant influence over the Group; or
- (iii) has joint control over the Group;
- (b) the party is an associate of the Group;
- (c) the party is a joint venture in which the Group is a venturer;
- (d) the party is member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

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

Notes to the consolidated financial statements for the year ended 31 December 2009 (continued)
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

Long-term employee benefits

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

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

Provisions

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

Contingent assets and liabilities

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

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

Taxation and deferred income taxes

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

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

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

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

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

The Company and the other consolidated subsidiaries have reflected their deferred tax asset and liabilities by netting their individual balances; however, there is netting on a consolidation basis. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or

the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to consolidated statement of income, except when it relates to items charged or credited directly to the equity in which case the deferred tax is also dealt within the equity.

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

Notes to the consolidated financial statements for the year ended 31 December 2009 (continued)
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

Leasing - the Group as lessor

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

Leasing - the Group as lessee

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

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

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

Offsetting

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

Revenue recognition

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

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

Fixed-line revenues

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

GSM revenues

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

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

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

Borrowing costs

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

Other income

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

Subscriber acquisition costs

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

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

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

4. Critical accounting judgments and key sources of estimation uncertainty

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

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

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

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

Key sources of estimation uncertainty

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

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

b) The Group has estimated the fair value of the minority put option liability based on multiple approaches including discounted cash flows after 31 December 2010 and comparables of applicable Equity Value (EV)/EBITDA, EV/Sales and EV/subscriber for mature operators in Western Europe, Asia, the Middle East and North Africa having revenue growth rates similar to Avea. The average of the values determined as at 31 December 2010 is then discounted back to 31 December 2009.

Significant accounting judgments and changes in use of estimates

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

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

ii) In accordance with IFRIC 12, the Company has determined the cost of the investments in intangible assets recognized under the scope of IFRIC 12

by adding the profit margin, which is applied in the market for similar construction services, to the cost of acquiring the related network equipment. The estimated profit margin used in construction services provided in exchange for concession right is 13% for the year ended 31 December 2009. The profit margin of property, plant and equipment accounted within the scope of IFRIC 12 amounting to TL 123.305 (2008 - 100.382) (Note 12) is TL 14.186 for the year ended 31 December 2009 (2008 - TL 11.548).

b) A deferred tax asset is recognized only to the extent that it is probable that a tax benefit will be realized in the future. If it is probable that a tax benefit will be realized, a deferred tax asset is recognized on unused tax losses, unused tax credits and other deductible temporary differences. In previous years, considering there was no clear evidence that sufficient taxable profits would be available in Avea, the Group had followed a prudent approach and did not recognize any deferred tax assets for deductible differences in excess of taxable temporary differences expected to reverse in same periods. With the expectation to recover certain part of its tax losses carried forward in Avea, the Group has recognized deferred tax assets on statutory tax losses available for offsetting with future statutory taxable profits amounting to TL 245.000 as at 31 December 2007. As at 31 December 2009, the Group has re-assessed its tax loss carry forwards concluded that there is no material change in the deferred tax asset recognized in the consolidated financial statements. The Group has not considered other temporary differences in deferred tax assessment of Avea as the management expects those other temporary differences (e.g. arising from the impairment of the license) to be reversed.

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

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

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

5. Segment reporting

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

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

31 December 2009				
	Fixed Line	GSM	Eliminations	Total
Total segment assets	11.061.499(*)	4.907.831 (**)	(2.567.968)	13.401.362
Total segment liabilities	(5.405.444)	(4.587.377)	2.013.425 (***)	(7.979.396)
31 December 2008				
	Fixed Line	GSM	Eliminations	Total
Total segment assets	8.362.608 (*)	4.433.345 (**)	(136.507)	12.659.446
Total segment liabilities	(3.748.375)	(3.345.812)	(451.652) (***)	(7.545.839)
(*) Includes goodwill amounting to TL 19.477 (2008 - TL 19.040).				
(**) Includes goodwill amounting to TL 29.695 (2008 - TL 29.695).				
(***) Includes minority put option liability amounting to TL 543.103 (2008 - TL 586.439).				

6. Cash and cash equivalents

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

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

As of 31 December 2009, TL 189.404 (2008 - TL 258.092) included in time deposits represents advances received from the Turkish Armed Forces for Turkish Armed Forces Integrated Communication Systems (TAFICS) projects. The interest income from these time deposits are added to the advances received and not reflected in the consolidated income statement as per agreement between parties (Note 12). These time deposits are restricted and can only be used for payments related to TAFICS projects.

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

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

As of 31 December 2009, a demand deposit amounting to TL 236.245 (2008 - TL 155.794) is also restricted due to collection protocols signed with banks for receipts from the subscribers, under which proceeds are made available to the Group a certain number of days after the cash is collected.

Within the context of the Bank Account Pledge Agreement signed by Avea, Avea provided an account pledge over all of its bank accounts (amounting to TL 337.947 at 31 December 2009; TL 2008 - 550.480) in favor of Security Trustee. Avea is required to pledge any new bank account as they are opened and also to inform the Security Trustee on a monthly basis about such new accounts as well as the closed accounts (Note 7).

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

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

7. Financial liabilities

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

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

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

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

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

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

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

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

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

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

	31 December 2009			31 December 2008		
	USD	EURO	TL equivalent	USD	EURO	TL equivalent
Borrowings secured bY security package	701.490	37.228	1.136.658	1.451.856	76.440	2.359.285

Before the merge of the Avea's former subsidiary of Aycell Haberleşme ve Pazarlama Hizmetleri A.Ş. (“Aycell”) with Aria İletişim Hizmetleri A.Ş. (“Aria”, former subsidiary of İş-TİM Telekomünikasyon Hizmetleri A.Ş.), Aria was granted financing from its network suppliers in 2001 for the acquisition of its property and equipment secured with a security package created in favor of the Security Agent acting on behalf of the Senior Secured Creditors of Avea. In 2004, subsequent to merger of Aria and Aycell, the security package was revised. Accordingly, the revised security package consists of:

-Commercial Enterprise Pledge on all movable fixed assets of commercial enterprise of İş-TİM and the trade name of Avea, (excluding the movable fixed assets of commercial enterprise of Aycell). The Commercial Enterprise Pledge secures the Senior Secured Financial Indebtedness of Avea up to a maximum amount of TL 1.000.000 (equivalent to USD 664.143 as at 31 December 2009). At 31 December 2009, the total Senior Secured Financial Indebtedness of Avea amounts to approximately TL 1.136.658 (31 December 2008 - TL 2.359.285).

-Account pledges on all the bank accounts of Avea, which do not restrict operational usage of the accounts in the normal course of business (31 December 2009 - TL 337.947; 2008- TL 550.480) (Note 6).

-Mortgage on the building of AVEA in Ümraniye amounting up to USD 40.600 in favor of the Security Agent.

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

- Assignment of Receivables: The material contracts entered into by Avea that results in a revenue or cost to Avea over USD 20.000 per annum are assigned as security in favor of the Lenders as part of Security Package. In case of an event of default, Avea counterparties under material contracts will perform any of their obligations towards Lenders in the same conditions as they were valid to Avea during the normal course of business.

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

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

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

2. General undertakings, among others, are:

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

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

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

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

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

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

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

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

c) Pledging shares it owns in Avea,

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

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

8. Trade receivables and payables

a) Trade receivables

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

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

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

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

As of 31 December 2009 and 2008, the analysis of trade receivables that were past due but not impaired is as follows:

		Past due but not impaired					
	Total	Neither past due nor impaired	>30 days	30-60 days	60-90 days	90-120 days	>120 days
31 December 2009	1.396.175	880.925	254.961	113.149	68.291	30.856	47.993
31 December 2008	1.324.986	871.988	257.321	105.129	52.375	8.060	30.113

b) Trade payables

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

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

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

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

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

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

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

Operating leases:

After the foundation of the Company, an agreement was signed between PTT and the Company in 1997 to grant the right of free use of buildings occupied by both parties for 49 years. In 2005, an amendment was made to the agreement requiring the Company to pay TL 35.000 per year for ten years (excluding the increase which will be decided by Ministry of Finance) to the PTT in exchange for the use of net 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 a transaction between the related parties, it has been reflected on a net cash basis in the consolidated financial statements, instead of grossed up fair value (Note 10).

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

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

(*) Future escalations have not been considered.

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

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

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

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

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

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

10. Due from/Due to related parties

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

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

	31 December 2009	31 December 2008
Amounts owed by related parties		
State controlled entities	80.122	84.747
Cell-C Ltd. (1)	2	96
PTT 3.0514.303		
Saudi Telecom Company (“STC”) (3)	7.050	3.702
Other	767	96
	90.922	92.944
Amounts owed to related parties (current1ibilities)		
State controlled entities	18.811	14.288
Oger Telecom Yönetim Hizmetleri Limited Şirketi (“OTMSC”) (2)	3.558	4.457
PTT	1.063	1.973
Other	388	799
	23.820	21.517
Amounts owed to related parties (non-current liabilities)		
State controlled entities	-	336
	-	336

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

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

Transactions with shareholders:

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

Furthermore, Avea is required under the terms of the Avea Concession Agreement, to pay a share of 15% (the Treasury Share) of its monthly gross revenue to the Treasury. As of 31 December 2009 the Treasury share is TL 35.444 (2008 - TL 29.238).

Transactions with other related parties:

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

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

Compensation of key management personnel

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

Guarantees provided to related parties:
The Company supports the long term financing of Avea as explained in Note 7.

The guarantees given for financing Cetel amounts to EUR 8.000.

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

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

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

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

The Company has determined the fair value of the minority put option as at 31 December 2009 and 2008 based on the assumption that there will not be an IPO before 31 December 2010 and İş Bank Group will exercise its put option at the earliest opportunity which is 1 January 2011. The Company has estimated a value based on multiple approaches including discounted cash flows after 31 December 2010 and comparables of applicable EV/EBITDA, EV/Sales and EV/subscriber for mature operators in Western Europe, Asia, the Middle East and North Africa having revenue growth rates similar to Avea. The average of the values determined as at 31 December 2010 is then discounted back to 31 December 2009 and 2008. The fair value of the put option liability as at 31 December 2009 amounts to TL 543.103 (2008 - TL 586.439).

In order to reflect the minority put option in the consolidated financial statements, the minority interest as at 31 December 2009, amounting to TL 54.354 (2008 - TL 199.720), has been reclassified from equity to '“minority put option liability” under long-term liabilities after appropriation of profit / loss to the minority interest for the year. The fair value of minority put option liability, has been determined as TL 543.103 (2008 - TL 586.439), and the difference of TL 488.749 (2008 - TL 386.719) is reflected in equity as “minority put option liability reserve”, based on the Group's accounting policy for the acquisition of minority interest (Note 24).

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

12. Other receivables and liabilities

Other current assets	31 December 2009	31 December 2008
	32.662	52.458
Deposits and guarantees given	647	14.730
Other doubtful receivables	24.891	21.833
Allowance for other doubtful receivables (-)	(24.891)	(21.833)
	33.309	67.188
Other current liabilities	31 December 2009	31 December 2008
	23.624	30.800
Due to personnel	221.436	247.035
Taxes and duties payable	205.061	273.853
Advances received (3)	19.306	22.105
Social security premiums payable	202.690	121.602
Expense accruals	162.072	26.993
Accrual for capital expenditures (4)	49.348	45.564
Accrual for contribution to be paid to the ICTA	35.444	29.238
Accrual for the Treasury Share	97.364	94.133
Accrual for Universal Service Fund (1)	102.752	103.571
Deferred revenue (2)	6.373	4.896
Other payables		
	1.125.470	999.790

1) According to the law numbered 5369 published on 16 June 2005, Türk Telekom and TTNNet will contribute 1% of their net revenues of each year to the Ministry of Transportation as Universal Service Fund. The contribution is payable by the end of April of the following year.

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

3) The Company acts as an intermediary of Ministry of Defence and North Atlantic Treaty Organization (NATO) projects by transferring advances received to the contractors and supports the management of the projects. Expenditures arising from the projects are deducted from the advances received at the date of the expenditure. Advances not used are held as time deposits and the interest earned is credited to the advances received in accordance with the agreement between the parties (Note 6).

4) Capital expenditure accruals represent the unreceived invoices for the fixed asset purchases that have been received within the agreement.

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

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

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

14. Deferred tax assets and liabilities

Deferred tax

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

The Group perpetually reassesses unrecognized deferred tax assets and decided to account for deferred tax assets (resulting from Avea) arising from the tax losses carried forward based on the estimated taxable profits according to Avea's business plan. As of 31 December 2009 and 2008, the deferred tax asset recognized for Avea's tax losses amounted to TL245.000.

As of 31 December 2009, Avea's 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 2009
2010	988.334
2011	1.081.447
2012	812.643
2013	368.950
2014	482.259
	3.733.633

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

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

	Base for deferred tax calculation 31 December 2009	Deferred tax assets/ (liabilities) 31 December 2009	Base for deferred tax calculation 31 December 2008	Deferred tax assets/ (liabilities) 31 December 2008
Deferred tax liability				
Temporary differences on property, plant and equipment	(2.377.025)	(475.405)	(2.802.105)	(560.421)
Income accruals	(71.505)	(14.301)	(80.050)	(16.010)
Other	(525)	(105)	(230)	(46)
	(2.449.055)	(489.811)	(2.882.385)	(576.477)
Deferred tax asset recognized from tax losses carried forward	1.225.000	245.000	1.352.035	270.407
Provision for long-term employee benefits	629.270	125.854	664.170	132.834
Provision for unused vacation	93.080	18.616	85.945	17.189
Expense accruals	117.125	23.425	21.460	4.292
Provision for doubtful receivables	160.655	32.131	269.960	53.992
Universal service fund and other contributions	128.465	25.693	121.205	24.241
Other	57.895	11.579	39.565	7.912
	2.411.490	482.298	2.554.340	510.867
Deferred tax liability, net		(7.513)		(65.610)
Deferred tax asset, net		245.125		272.894
Deferred tax liability, net		(252.638)		(338.504)
Deferred tax income / (expenses)			1 January - 31 December 2009	1 January - 31 December 2008
Temporary differences of property, plant and equipment			85.016	149.154
Tax losses carried forward			(25.407)	25.407
Provision for long-term employee benefits			(6.980)	(59.888)
Provision for unused vacation			1.427	(2.984)
Income accruals			1.709	(6.592)
Expense accruals			19.133	1.453
Provision for doubtful receivables			(21.861)	19.415
Universal service fund and other contributions			1.452	3.929
Other			3.608	5.060
Deferred tax income (Note 33)			58.097	134.954
Movement of deferred tax liability			31 December 2009	31 December 2008
Opening balance, 1 January			(338.504)	(445.564)
Reflected to period profit or loss			85.866	107.060
Closing balance, 31 December			(252.638)	(338.504)

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

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

Movement of deferred tax asset	31 December 2009	31 December 2008
Opening balance, 1 January	272.894	245.000
Reflected to period profit or loss	(27.769)	27.894
Closing balance, 31 December	245.125	272.894
	31 December 2009	31 December 2008
Reflected to period profit or loss		
- Deferred tax liability expense	85.866	107.060
- Deferred tax asset income	(27.769)	27.894
Deferred tax income (Note 33)	58.097	134.954

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

15. Other current / non-current assets

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

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

Other non-current assets

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

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

16. Financial investments

Cetel

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

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

17. Other financial investments and other financial liabilities

Cash flow hedges

Interest rate swaps

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

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

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

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

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

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

Option contracts

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

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

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

18. Goodwill

The movement of goodwill is as follows:

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

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

Avea acquisition and Goodwill related to Avea

The acquisition of Avea shares has been effected through three steps in different years (40% in February 2004 through the merger of Aycell with Aria, 0,56% through an equity increase in May 2005 and finally 40,56% through the acquisition of TIM shares on 15 September 2006. Therefore, during the accounting of the latest acquisition of 40,56% shares on 15 September 2006, the first two acquisitions comprising a total shareholding of 40,56%, which have been accounted for using the equity method in the financial statements prior to 15 September 2006 have been re-measured to their fair values based on the fair value financial statements of Avea prepared as at 15 September 2006 for the purpose of the purchase price allocation. The result of the re-measurement amounting to TL 294.065 has been reflected as “Difference arising from acquisition of subsidiary” in equity .

The goodwill impairment test has been performed as at 31 December 2009, based on the value in use study. Avea, at the corporate level, has been accepted as one cash generating unit for the purposes of determining the value in use for the impairment testing of the TL 29.695 goodwill arising from the acquisition of Avea shares. The enterprise value used as a base for the impairment test has been calculated using cash flow projections from the business plan of Avea approved by the Board of Directors in December 2009 covering a ten-year plan. Future cash flows have been in TL and USD in which they will be generated and then discounted to present value using the rates appropriate for these currencies. The rates used for the discount of USD denominated cash flows were 12,3 % while a discount rate of 15% was used for the TL denominated cash flows. Cash flow beyond the ten years are extrapolated using a 3,4% growth rate for TL and USD denominated cash flow projections that is driven by the estimated inflation in the business plan and estimated population growth of the country. The valuation is tested with a sensitivity of weighted average capital cost (WACC) by +/- 1% for both TL and USD denominated cash flow projections and growth rate of +/- 1% for TL denominated cash flow projections. As a result of the impairment testing, it has been noted that there is no impairment on goodwill arising on the Avea acquisition. The value in use projections are based on a discounted cash flow (DCF) study implemented until 2026.

Goodwill for Innova and Argela

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

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

Sebit acquisition

On 17 December 2007, the Company acquired 99,96% of the issued share capital of Sebit for a consideration of USD 7.000, all paid in cash. This transaction has been accounted for using the purchase method of accounting. The net assets acquired in the transaction and the goodwill arising, are as follows:

	Carrying amount at the acquisition date (17 December 2007)	Fair value adjustment	Fair value
Net assets acquired			
Cash and cash equivalents	1.029	-	1.029
Trade receivables	1.777	-	1.777
Other current assets	1.060	-	1.060
Property, plant and equipment	1.570	-	1.570
Intangible assets	7.065	2.011	9.076
Trade payables	(2.201)	-	(2.201)
Other payables, expense accruals and provisions	(138)	-	(138)
	10.162	2.011	12.173
Acquired net assets (99,96%)			12.173
Negative goodwill reflected in consolidated statement of income			(3.967)
Total consideration			8.206
Net cash outflow arising on acquisition			
Cash consideration paid			(8.206)
Cash and cash equivalents acquired			1.029
			(7.177)

The acquisition of Sebit on 17 December 2007 has been accounted provisionally at 31 December 2007 subject to change in accordance with IFRS 3. The acquisition accounting has been finalized as at 31 December 2008 and the assets, liabilities and contingent liabilities determined based on IFRS 3, have been recorded based on their fair values at the date of acquisition. The negative goodwill amounting to TL 3.967 resulting from the acquisition has been reflected in the consolidated statement of income.

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

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

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

The fair values of PPE and intangible assets have been assessed by Analysys Consulting Limited and Grant Thornton GmbH. The acquisition accounting has been finalized as at 31 December 2009 and the assets, liabilities and contingent liabilities determined based on IFRS 3, have been recorded based on their fair values at the date of acquisition.

19. Assets held for sale

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

20. Investment property

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

	1 January - 31 December 2008	1 January - 31 December 2009
Cost		
Opening balance, 1 January	384.981	384.981
Additions	-	-
Closing balance, 31 December	384.981	384.981
Accumulated depreciation and impairment		
Opening 1 January	74.327	57.690
Depreciation charge for the year	16.632	16.637
Impairment	3.021)	-
Closing balance, 31 December	93.980	74.327
Carrying amount at 31 December	291.001	310.654

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

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

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

21. Property, plant and equipment (PPE)

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

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

	Land and buildings	Network and other equipment	Vehicles	Furniture and fixtures	Other fixed assets	Construction in progress	Total
Cost							
Opening balance, 1 January 2008	1.430.773	32.605.199	143.034	139.864	153.862	129.671	34.602.403
Transfers	85.600	919.805	7.446	39.134	8.989	(1.092.452)	(31.478)
Additions	4.071	308.280	29	3.960	8.774	1.160.322	1.485.436
Disposals	(81)	(204.082)	(2.284)	(2.448)	(4.496)	-	(213.391)
Closing balance, 31 December 2008	1.520.363	33.629.202	148.225	180.510	167.129	197.541	35.842.970
Accumulated depreciation							
Opening balance, 1 January 2008	386.273	27.649.222	130.539	112.673	105.056	-	28.383.763
Disposals	(18)	(169.113)	(2.271)	(2.294)	(4.288)	-	(177.984)
Depreciation charge for the year	58.078	1.267.221	2.581	10.018	22.409	-	1.360.307
Transfers	-	-	-	-	(241)	-	(241)
Closing balance, 31 December 2008	444.333	28.747.330	130.849	120.397	122.936	-	29.565.845
Carrying amount at 31 December 2008	1.076.030	4.881.872	17.376	60.113	44.193	197.541	6.277.125

22. Intangible assets

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

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

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

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

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

Remaining amortization periods of significant intangible assets are as follows:

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

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

3G Licence Tender

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

On 3 December 2008, following the approval of the ICTA, a draft Concession Agreement has been initiated by Avea and ICTA and delivered to the Council of State to receive its opinions. Subsequent to receiving the opinion of the Council of State, the Concession Agreement is amended accordingly and approved by ICTA. The license fee (including 18% VAT) amounting to 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 licence as at 31 December 2009 is TL 462.578.

GSM 900 Additional Frequency Band Tender

The tender for the reallocation of unused 900 MHz Frequency Bands had been held on 20 June 2008 and Avea had obtained C band with the minimum fee of 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 licence as at 31 December 2009 is TL 11.378.

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

23. Provisions

a) Short term provisions

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

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

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

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

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

b) Long term provisions

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

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

c) Long-term employee benefits

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

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

In 2004, a law was enacted regulating the status of the Company's employees after possible privatization. This law stated that subsequent to privatization, Labor Law became effective for all employees of the Company. According to this law, the retirement benefits of all the civil servants who were previously (before 2004) eligible for retirement premiums will be calculated in accordance with labor law considering all of their service periods. Hence, since the privatization process has been completed as at 31 December 2009, instead of reflecting the retirement obligations of the white and blue collar personnel separately, the Company calculated the total retirement obligation for all personnel. The retirement pay liability as at 31 December 2009 is subject to a ceiling of full TL 2.365 (2007 - full TL 2.173) per monthly salary for each service year.

The number of personnel as at 31 December 2009 and 2008 are 34.086 and 34.025, respectively.

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

The above described amendment to the benefits of the civil servants with respect to the defined benefit plan resulted in past service cost, while the ceasing of certain other long-term employment benefits has resulted in plan curtailments. The effect of the plan curtailments has been reflected fully in the consolidated statement of income in 2005, the year of privatization. Past service cost amounting to TL 58.737 is being amortized over seven years, the period over which benefits become vested, which is the expected average future service life of the employees.

i) Transfer of Employees to Other State Enterprises after Privatization

In accordance with the related laws, the civil servants and workers were granted the right to ask for a transfer to other state companies. As a result of the Company's privatization on 14 November 2005, some of the employees have used this right to ask for employment from other state enterprises or governmental organizations within 180 days starting from the privatization date. Additionally, in 9 February 2006, another law was enacted which extended this duration from 180 days to five years.

Upon these transfers, the long-term employee benefit liabilities of the employees are also transferred to other state enterprises with no cost to the Group. Therefore, the long-term employee benefits for these employees were not taken into account in determination of the Group's obligation as at 31 December 2009 and 2008. The decrease in liability has been presented in the reconciliation of defined benefit obligations separately as a settlement gain.

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

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

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

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

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

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

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

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

v) Principal actuarial assumptions use:

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

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

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

		31 December 2009		31 December 2008
	%	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 shares. Group C share consists only of a single preferred stock .

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

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

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

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

The board of directors is composed of ten directors nominated by the shareholders as follows:
a) the group A shareholder shall be entitled to nominate 6 persons for election as directors;
b) provided that the Treasury shall hold:
- 30% or more of the shares, the Treasury shall be entitled to nominate 3 persons for election as directors; or
- 15% or more of the shares (but less than 30% of the Shares) the Treasury shall be entitled to nominate 2 persons for election as directors;
c) as long as the Treasury holds 15% or more of the shares (but less than 30% of the shares), the group A shareholder and the Treasury shall be entitled to nominate a person who is unanimously agreed for the election as an independent director.
d) while the Treasury holds the C group Golden Share, the Treasury shall be entitled to nominate a further one person for election as director for the C group Golden Share.

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

(b) the board of directors resolves by way of a simple majority of those present at the relevant meeting of the board that the distribution is materially prejudicial to the interests of any group company defined in the articles of association having regard to: (i) implementation of the investment programme approved by the board of directors in the business plan or the budget; or (ii) the trading prospects of the group companies defined in the articles of association and the need to maintain the sound financial standing of the group companies.

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

Dividends

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

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

Minority interest

The minority interest represents 18,63% shareholding of İş Bank Group in Avea as at 31 December 2009. As of 31 December 2009, minority interests are reflected with their fair values and are classified as other non-current liabilities based on the Group's accounting policy applied during the acquisition of the minority shares. The movement of minority interest is as follows:

As of 31 December 2007		-
Reclassification to minority interest		351.189
Share of profit generated between 1 January 2008 - 31 December 2008		(124.842)
Minority interest share in unrealized loss on derivative financial instruments recognized under equity		(26.627)
Reclassification to other non-current liabilities		(199.720)
As of 31 December 2008		-
Reclassification to minority interest		199.720
Share of profit generated between 1 January 2008 - 31 December 2008		(179.703)
Minority interest share in unrealized loss on derivative financial instruments recognized under equity		19.768
Adjustment difference of shareholding rate change		14.569
Reclassification to other non-current liabilities (Note 11)		(54.354)
As of 31 December 2009		-

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

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

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

25. Share based payment

According to the Turkish Council of Ministers decision dated 12 December 2007, which was published in the Turkish Official Gazette on 26 December 2007, 52,500,000,000 shares of Turk Telekom owned by the Treasury, the minority shareholder of Türk Telekom, has been sold as at 15 May 2008, through an initial public offering (“IPO”) (such shares correspondence to corresponding to 15% Türk Telekom's shares). During the IPO, 12,299,160,300 of such shares have been allocated to the employees of Türk Telekom, PTT and small investors together with 5.220.503.000 shares allocated to domestic investors with high purchasing power with discounted price varying according to the payment terms and application date (compared to the price applied to the other corporate investors for the remaining shares of 34.980.335.900. The discounts provided to Türk Telekom employees have been considered as within the scope of IFRS 2 (“Share Based Payment”) by the management of Türk Telekom considering the fact that Türk Telekom receives services from its employees. The Group has reflected the fair value of the discounts provided to Türk Telekom employees, amounting to 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.

26. Commitments and contingencies

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

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

Guarantees received and given by the Group are summarized below:

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

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

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

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

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

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

Other commitments

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

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

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

Türk Telekom concession agreement

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

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

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

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

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

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

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.

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

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

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

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

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

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

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

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

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

Avea is subject to coverage obligations under the Avea Concession Agreement, and is required to have coverage for 90% of the Turkish population within five years after 11 January 2001. In addition, residential units with a population less than 10.000 have to be covered with Avea's own network rather than national roaming arrangements. Moreover, Avea is also committed to renew the network in line with technological improvements and international agreements. Avea also has to conform to certain quality standards. In areas covered, the licensed internal rate of network for blocked calls and failed calls cannot exceed 5% and 2%, respectively.

The Avea Concession Agreement provides that the license fees were paid at the time of issuance of the original GSM 1800 authorization agreement. Avea is also required under the terms of the Avea Concession Agreement, to pay a share to the Treasury of 15% of its monthly gross income (Note 8), and a contribution to the ICTA's expenses comprising 0,35% of the net amount remaining following the deduction of all taxes, duties, fees, the Treasury contribution and VAT from Avea's monthly gross income. Finally, the Avea Concession Agreement also envisages frequency license and usage charges to be paid by Avea, although the amount of these charges is not specified. The Avea Concession Agreement also requires Avea to provide a performance bond in the amount of USD 151.500 in respect of its obligations under the Avea Concession Agreement. This represents 6% of the license fee.

Other provisions of the Avea Concession Agreement provide for the allocation of area codes for the Avea network, and number portability to be provided in accordance with regulations issued by the ICTA. Avea is also under an obligation to submit financial audit reports and tables and an investment plan.

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

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2009

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

k. Termination of the agreement by the ICTA

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

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

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

l. Insurance

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

3G License authorization

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

According to this Agreement;

- Avea shall keep at least 2 units of IMT-2000/UMTS mobile base stations to be used in emergency situations under the request of the Ministry of Transport and Communication.
- oWithin the first 5 years by the signature of the Agreement, Avea shall obtain the approval of the ICTA for each assignment of Avea shares in ratio exceeding 10% to persons and entities other than the current shareholders and subsidiaries of the current shareholders. Any type of share assignment leading a change in the control of Avea shall be subject to the approval of the ICTA.
- Avea has granted a bank letter of guarantee amounting to EUR 12.840 which is 6% of the license fee, for to act as final guarantee. Should the Avea is understood to not perform its contractual obligations, ICTA shall record and confiscate the final guarantee as income. In such confiscation of final guarantee as income is realised, Avea shall grant new final guarantee within 30 days. Should the new final guarantee not granted within the said period, the Agreement might be terminated.
- During the term of the Agreement, Avea shall each year submit its investment plan related to the subsequent calendar year, till 1 November to the ICTA. This plan shall be prepared for three years and shall include such information as the number, location, coverage areas, investment costs with respect to exchange centers, base stations and control stations to be established, as well as the realization ratio of the previous year's investment plan and reasons of deviation, if any.
- Avea pays every month as the Treasury share, 15% of its monthly gross sales except the default interest imposed to its subscribers for the amounts not paid within the specified term as well as the financial liabilities like excises, duties and charges and the accrual amounts accounted for reporting purposes.

Coverage Area Obligations:

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

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

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

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2009

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

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

A vendor company may not establish the R&D centre and Technical Assistance Centre together with another vendor company; but may establish with a company, organization or institution resident in Turkey. The vendor company shall have at least 50% share of such centers. Said organization or institution resident in Turkey shall not employ other R&D centres and Technical Assistance Centres that have been established together with other vendor companies functioning in information and communication technologies area.

The university associates may also be employed part time, as engineers to be employed by the vendor company. The number of the university associates may not exceed 5% of the total number of engineers stated above.

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

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

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

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

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

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

Termination of the Agreement by ICTA:

The Authority might terminate the Agreement for the following reasons;

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

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

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 27.826 as at 31 December 2009 (2008 - TL 27.948) in the consolidated financial statements.

According to the Network Interconnection and Cooperation Agreement, dated 24 April 1998, between the Company and Turkcell, the Company claimed a rental fee including the interest charge of the defaulted invoices on 9 May 2002, amounting to TL 30.067, for the monthly leased line services rendered

Notes to the consolidated financial statements for the year ended 31 December 2009

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

between the period from 1 July 2000 to 31 December 2000. Turkcell filed a lawsuit against the Company to seek the declaratory judgment stating that it has no obligation of payment and also claimed from the Court the continuance of the preliminary temporary injunction decision. The Court rejected the objection of Turkcell in 2008 and the Company began to deduct the receivable amount declared by the Court, for which provision had been provided in the previous periods, from its current account payable balance to Turkcell together with its legal interest.

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

The lawsuit was filed against Turkcell for the reason that Turkcell carried voice traffic through Milleni.com GmbH, a company based in Germany by breaching the Network Interconnection and Cooperation Agreement signed 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. In the consolidated financial statements, the Company has not accrued income accrual for this case to be prudent, since the case is subject to appeal. Turkcell has appealed this decision on 28 January 2010.

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 15.350 (2008- TL 8.026) has been provided in the consolidated financial statements for the ongoing cases.

Disputes between the Company and Istanbul Metropolitan Municipality

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

Legal proceedings of Avea

Fines Issued Against Avea by the Ministry of Industry and Trade

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

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

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2009

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

Monetary penalties of Ministry of Finance

VAT Penalties

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

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

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

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

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

SCT Penalty

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

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

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

Other issues

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

27. Business combinations

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

28. Events after the balance sheet date

None.

Notes to the consolidated financial statements for the year ended 31 December 2009

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

29. Operating expenses (including cost of sales)

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

30. Operating expenses (based on their nature)

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

Notes to the consolidated financial statements for the year ended 31 December 2009

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

31. Other operating income / (expenses)

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

32. Financial income / (expense)

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

33. Taxation on income

	31 December 2009	31 December 2008
Corporate tax payable:		
Current corporate tax provision	731.035	643.728
Prepaid taxes and funds (-)	(581.053)	(549.846)
	149.982	93.882
	1 January - 31 December 2009	1 January - 31 December 2008
Tax expense:		
Current income tax expense	(731.035)	(643.728)
Deferred income tax credit (Note 14)	58.097	134.954
	(672.938)	(508.774)

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

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

In Turkey, the corporate tax rate is 20% (2008 - 20%). Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% (2008 - 20%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

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

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

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

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

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

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

Investment Incentives

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

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

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

34. Financial risk management objectives and policies

Credit risk

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

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

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

Liquidity risk

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

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

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2009 and 2008 based on contractual undiscounted payments (including interest payments not due yet).

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

Contract based maturities as at 31 December 2008	Book value	Total contract based cash outflow (=I+II+III+IV)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 Years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Financial liabilities	3.408.482	3.998.963	935.057	458.293	1.851.921	753.692
Obligations under finance leases	46.760	59.782	2.064	6.352	30.472	20.894
Trade payables	881.319	881.319	880.524	795	-	-
Other payables	29.294	29.294	29.294	-	-	-
Related parties	21.517	21.517	21.517	-	-	-
Derivative financial liabilities (Net)	208.722	207.361	5.775	29.625	161.888	10.073

Fair value hierarchy table

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

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques includes direct or indirect observable inputs

Level 3: Valuation techniques does not contains observable market inputs

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

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

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

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

As of 31 December 2009	Profit/Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Appreciation of USD against TL at 1%:		
1- USD net asset/liability	(14.365)	14.365
2- Portion protected from USD risk (-)	1.656	(1.656)
3- USD net effect (1+2)	(12.709)	12.709
Appreciation of Euro against TL at 1%:		
4- Euro net asset/liability	(10.687)	10.687
5- Portion protected from Euro risk (-)	-	-
6- Euro net effect (4+5)	(10.687)	10.687
Appreciation of other foreign currencies against TL at 1%:		
7- Other foreign currency net asset/liability	(13)	13
8- Portion protected from other foreign currency (-)	-	-
9- Other foreign currency net effect (7+8)	(13)	13
Total (3+6+9)	(23.409)	23.409

As of 31 December 2008	Profit/Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Appreciation of USD against TL at 1%:		
1- USD net asset/liability	(23.766)	23.766
2- Portion protected from USD risk (-)	454	(454)
3- USD net effect (1+2)	(23.312)	23.312
Appreciation of Euro against TL at 1%:		
4- Euro net asset/liability	(2.063)	2.063
5- Portion protected from Euro risk (-)	-	-
6- Euro net effect (4+5)	(2.063)	2.063
Appreciation of other foreign currencies against TL at 1%:		
7- Other foreign currency net asset/liability	(21)	21
8- Portion protected from other foreign currency (-)	-	-
9- Other foreign currency net effect (7+8)	(21)	21
Total (3+6+9)	(25.396)	25.396

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

Notes to the consolidated financial statements for the year ended 31 December 2009
(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

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

Notes to the consolidated financial statements for the year ended 31 December 2009
(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 summarised below.

Interest rate risk

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

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

The interest rate risk table is presented below

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

If the base point of TL denominated interest rates for financial instruments with variable interest rate was higher/lower 0,25%, with all other variables held constant, the Group's income before tax and minority interest would be lower/higher TL 5.863 (31 December 2008 - TL 1.160)

On the other side, hedging against financial risk would have - without affecting income before tax and minority interest - a direct effect on equity and equity would be higher/lower TL 4.876 (31 December 2008 - TL 16.934).

Notes to the consolidated financial statements for the year ended 31 December 2009
(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 Current period	Fair value Prior period	Current period	Prior period
Financial assets				
Cash and cash equivalents	753.693	1.041.982	753.693	1.041.982
Trade and other receivables (including related parties)	1.520.476	1.485.118	1.520.476	1.485.118
Other financial investments	-	793	-	793
Financial liabilities				
Financial liabilities	3.932.147	3.408.482	3.953.298	3.403.356
Minority put option liability	543.103	586.439	543.103	586.439
Derivative financial instruments	107.014	209.515	107.014	209.515

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

Capital management policies

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

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

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

