Türk Telekomünikasyon Anonim Şirketi

Interim condensed consolidated financial statements for the period between 1 January – 31 March 2012

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

Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

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

Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

Interim consolidated balance sheet
as at 31 March 2012
(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated)

	Notes	Current period (Unaudited) 31 March 2012	Prior period (Audited) 31 December 2011
Assets			
Current Assets		**4.260.837**	4.031.461
Cash and cash equivalents	6	**1.062.672**	978.676
Trade receivables			
- Trade receivables from related parties	7	**10.136**	14.880
- Other trade receivables		**1.985.098**	1.978.584
Other receivables		**87.258**	108.009
Inventories		**84.921**	106.607
Other current assets	9	**1.030.752**	844.705
Non-current assets		**12.110.131**	12.142.946
Trade receivables		**67.498**	83.307
Other receivables		**24.078**	1.822
Other financial assets		**-**	536
Financial investments		**11.840**	11.840
Investment property		**253.442**	257.601
Property, plant and equipment		**7.944.011**	7.898.823
Intangible assets		**3.473.538**	3.539.914
Goodwill		**53.297**	53.400
Deferred tax asset		**261.321**	261.692
Other non-current assets		**21.106**	34.011
TOTAL ASSETS		**16.370.968**	16.174.407

Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

Interim consolidated balance sheet
as at 31 March 2012
(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated)

The accompanying policies and explanatory notes on pages 8 through 30 form an integral part of the consolidated financial statements.

Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

Interim consolidated balance sheet
as at 31 March 2012
(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated)

	Notes	Current period (Unaudited) 31 March 2012	Prior period (Audited) 31 December 2011
Liabilities			
Current liabilities		**4.342.936**	5.607.183
Financial liabilities			
- Bank borrowings	8	**1.524.871**	2.294.597
- Obligations under finance leases		**6.767**	7.080
Other financial liabilities	14	**14.932**	31.643
Trade payables			
- Trade payables to related parties	7	**5.034**	5.602
- Other trade payables		**960.310**	1.545.513
Other payables		**391.009**	455.139
Income tax payable		**253.993**	170.875
Provisions		**254.938**	239.926
Other current liabilities	9	**931.082**	856.808
Non-current liabilities		**5.600.856**	4.797.853
Financial liabilities			
- Bank borrowings	8	**3.753.988**	3.015.765
- Obligations under finance leases		**26.031**	28.718
Other financial liabilities			
- Minority put option liability	10	**667.891**	558.251
- Derivative financial instruments	14	**1.216**	3.475
Trade payables		**67.498**	87.375
Other payables		**11.148**	8.823
Provisions		**7.554**	11.518
Provisions for employee termination benefits		**582.825**	562.595
Deferred tax liability		**244.255**	269.913
Other non-current liabilities		**238.450**	251.420
Equity		**6.427.176**	5.769.371
Equity attributable to parent			
Paid-in share capital		**3.500.000**	3.500.000
Inflation adjustments to paid in capital		**(239.752)**	(239.752)
Other reserves		**(1.503.637)**	(1.382.596)
Currency translation reserve		**48.053**	40.831
Restricted reserves allocated from profits		**1.653.106**	1.653.106
Retained earnings		**2.197.782**	129.106
Net income for the year		**771.624**	2.068.676
Total liabilities and equity		**16.370.968**	16.174.407

The accompanying policies and explanatory notes on pages 8 through 30 form an integral part of the consolidated financial statements.

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

Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

Interim consolidated income statement
For the period ended 31 March 2012
(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated)

	Notes	Current Period (Unaudited) 1 January 2012 – 31 March 2012	Prior Period (Unaudited) 1 January 2011 – 31 March 2011
Revenue	5	**2.959.538**	2.886.897
Cost of sales (-)	5	**(1.346.902)**	(1.200.267)
Gross profit		**1.612.636**	1.686.630
Marketing, sales and distribution expenses (-)	5	**(455.145)**	(468.468)
General administrative expenses (-)	5	**(367.888)**	(402.773)
Research and development expenses (-)	5	**(9.518)**	(8.916)
Other operating income	5	**65.041**	91.399
Other operating expense (-)	5	**(27.707)**	(24.364)
Operating profit		**817.419**	873.508
Financial income		**390.035**	168.051
Financial expense (-)		**(229.732)**	(289.394)
Profit before tax		**977.722**	752.165
Tax expense			
Tax expense for the period		**(257.488)**	(210.250)
Deferred tax income / (expense)		**24.953**	29.374
Net profit		**745.187**	571.289
Attribution of net profit			
Attributable to equity holders of the parent		**771.624**	608.840
Minority interest		**(26.437)**	(37.551)
		771.624	608.840
Earnings per shares attributable to equity holders of the parent from (in full Kuruş) (Note 4)		**0,2205**	0,1740
Earnings per diluted shares attributable to equity holders of the parent from (in full Kuruş) (Note 4)		**0,2205**	0,1740

Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

Interim consolidated income statement
For the period ended 31 March 2012
(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated)

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Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

Interim consolidated comprehensive income statement
For the period ended 31 March 2012
(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated)

	Current Period (Unaudited) 1 January 2012 - 31 March 2012	Prior Period (Unaudited) 1 January 2011 - 31 March 2011
Profit for the period	**745.187**	571.289
Other comprehensive income:		
Profit / (loss) from derivative financial instruments transferred to condensed consolidated income statement (Note14)	**5.305**	12.875
Change in fair value of derivative financial instruments (Note14)	**1.585**	(427)
Net investment hedge (Note14)	**10.181**	(14.671)
Deferred tax effect of net investment hedge(Note14)	**(2.036)**	2.934
Currency translation gain / (loss)	**7.222**	10.379
Other comprehensive income (After tax)	**22.257**	11.090
Total comprehensive income	**767.444**	582.379
Distrubution of total comprehensive income:		
Attributable to equity holders of the parent	**792.658**	617.783
Minority interest	**(25.214)**	(35.404)

Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

Interim consolidated comprehensive income statement
For the period ended 31 March 2012
(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated)

The accompanying policies and explanatory notes on pages 8 through 30 form an integral part of the consolidated financial statements.

Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

Interim consolidated statement of changes in equity
for the period ended 31 March 2012
(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated)

				Other Reserves											
	Paid-in share capital	Inflation adjustment to paid in capital	Restricted reserves allocated from profits	Minority put option liability reserve	Share based payment reserve	Difference arising from acquisition of subsidiary	Reserve for hedge of net investment in a foreign operation	Cash flow hedge reserve	Actuarial loss arising from employee benefits	Currency translation reserve	Retained earnings	Net income for the period	Total	Minority interest	Total equity
Balance as at 1 January 2011	3.500.000	(239.752)	1.446.210	(582.848)	9.528	(308.634)	(925)	(36.786)	(201.884)	9.885	129.106	2.450.857	6.174.757	-	6.174.757
Net profit for the year	-	-	-	-	-	-	-	-	-	-	-	608.840	608.840	(37.551)	571.289
Other comprehensive income/(loss)	-	-	-	-	-	-	(11.737)	10.301	-	10.379	-	-	8.943	2.147	11.090
Total comprehensive income	-	-	-	-	-	-	(11.737)	10.301	-	10.379	-	608.840	617.783	(35.404)	582.379
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	2.450.857	(2.450.857)	-	-	-
Minority interest before classification to minority put option liability	-	-	-	-	-	-	-	-	-	-	-	-	-	(54.354)	(54.354)
Minority put option liability	-	-	-	(35.404)	-	-	-	-	-	-	-	-	(35.404)	89.758	54.354
Balance as at 31 March 2011	3.500.000	(239.752)	1.446.210	(618.252)	9.528	(308.634)	(12.662)	(26.485)	(201.884)	20.264	2.579.963	608.840	6.757.136	-	6.757.136
Balance as at 1 January 2012	3.500.000	(239.752)	1.653.106	(779.383)	9.528	(308.634)	(37.976)	(13.386)	(252.745)	40.831	129.106	2.068.676	5.769.371	--	5.769.371
Net profit for the year	-	-	-	-	-	-	-	-	-	-	-	771.624	771.624	(26.437)	745.187
Other comprehensive income / (loss)	-	-	-	-	-	-	8.145	5.667	-	7.222	-	--	21.034	1.223	22.257
Total comprehensive income	-	-	-	-	-	-	8.145	5.667	-	7.222	-	771.624	792.658	(25.214)	767.444
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	2.068.676	(2.068.676)			
Minority interest before classification to minority put option liability (Note 10)	-	-	-	-	-	-	-	-	-	-	-	-	-	(221.133)	(221.133)
Minority put option liability (Note 10)	-	-	-	87.314	-	-	-	-	-	-	-	-	87.314	24.180	111.494
Difference from change of participation ratio	-	-	-	-	-	(220.699)	-	(885)	(583)	-	-	-	(222.167)	222.167	-
Balance as at 31 March 2012	3.500.000	(239.752)	1.653.106	(692.069)	9.528	(529.333)	(29.831)	(8.604)	(253.328)	48.053	2.197.782	771.624	6.427.176	--	6.427.176

The accompanying policies and explanatory notes on pages 8 through 30 form an integral part of the consolidated financial statements

Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

Interim consolidated cash flow statement
for the period ended 31 March 2012
(Currency - in Thousands of New Turkish Lira ("TL") unless otherwise indicated)

	(Unaudited) Current period 1 January - 31 March 2012	(Unaudited) Prior period 1 January - 31 March 2011
Profit for the period before tax	**977.722**	752.165
Adjustments to reconcile profit before tax to cash provided by operating activities:		
Depreciation and amortization and impairment expense	**414.229**	403.720
IFRIC 12 revenue	**(3.770)**	(676)
Gain on sale of property, plant and equipment	**513**	(10.441)
Foreign currency exchange income / (expense), net	**(191.696)**	91.231
Interest expense and income, net	**14.761**	(3.339)
Reversal of doubtful receivables	**(40.118)**	(32.590)
Allowance for doubtful receivables	**63.949**	72.320
Provision for employee termination benefits	**22.541**	40.837
Litigation provision	**(9.713)**	(12.349)
Unused vacation provision, net	**25.359**	22.776
Loss on derivative financial instruments	**7.158**	26.500
Obsolete inventory provision	**578**	370
Other provisions	**(3.964)**	304
Operating profit before working capital changes	**1.277.549**	1.350.828
Net working capital changes in:		
Trade receivables and other receivables	**(11.309)**	(144.543)
Restricted cash	**33.969**	32.878
Other current assets and inventories	**(144.153)**	(160.661)
Trade payables	**(604.162)**	(413.490)
Other non-current assets	**(9.364)**	43.459
Other current liabilities and provisions	**(11.145)**	168.881
Other non-current liabilities and provisions	**(5.496)**	9.135
Payments of employee termination benefits	**(2.293)**	(16.599)
Provision payments	**(44)**	(1.363)
Income taxes paid	**(176.406)**	(146.033)
Net cash provided by operating activities	**347.146**	722.492
Investing activities		
Interest received	**49.951**	51.057
Proceeds from sale of property, plant, equipment and intangible assets	**10.064**	39.072
Purchases of property, plant and equipment and intangible assets	**(375.188)**	(198.228)
Net cash used in investing activities	**(315.173)**	(108.099)
Cash flows from financing activities		
Proceeds from bank borrowings (Note 8)	**6.566.537**	2.683.087
Repayment of bank borrowings (Note 8)	**(6.387.138)**	(3.217.246)
Repayment of obligations under finance leases	**(1.748)**	(1.494)
Interest paid	**(74.989)**	(55.702)
Derivative instrument payments	**(18.699)**	(52.677)
Net cash used in financing activities	**83.963**	(644.032)
Net increase / (decrease) in cash and cash equivalents	**115.936**	(29.639)
Foreign exchange differences on cash and cash equivalents at the beginning of the year	**2.029**	(23.497)
Cash and cash equivalents at the beginning of the year (Note 6)	**226.595**	389.627
Cash and cash equivalents at the end of the period (Note 6)	**344.560**	336.491

Interim consolidated cash flow statement
for the period ended 31 March 2012
(Currency - in Thousands of New Turkish Lira ("TL") unless otherwise indicated)

The accompanying policies and explanatory notes on pages 8 through 30 form an integral part of the consolidated financial statements.

1. Corporate organization and activities

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

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

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

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

As at 31 March 2012 and 31 December 2011, the ultimate parent and controlling party of the Company is Saudi Oger Ltd ("Saudi Oger"), because of its controlling ownership in Oger Telecom.

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

(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 March 2012 and 31 December 2011 are as follows:

				Effective ownership of the Company (%)	
Name of Subsidiary	Place of incorporation and operation	Principal activity	Functional Currency	**31 March 2012**	31 December 2011
TTNet Anonim Şirketi ("TTNet")	Turkey	Internet Service Provider	Turkish Lira	99,96	99,96
Avea İletişim Hizmetleri A.Ş.("Avea")	Turkey	GSM Operator	Turkish Lira	89,99	81,37
Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret Anonim Şirketi ("Argela")	Turkey	Telecommunications solutions	Turkish Lira	99,96	99,96
Innova Bilişim Çözümleri Anonim Şirketi ("Innova")	Turkey	Telecommunications solutions	Turkish Lira	99,99	99,99
Assistt Rehberlik ve Müşteri Hizmetleri Anonim Şirketi ("AssisTT")	Turkey	Call centre and customer relations	Turkish Lira	99,96	99,96
Sebit Eğitim ve Bilgi Teknolojileri A.Ş. ("Sebit")	Turkey	Web based learning	Turkish Lira	99,96	99,96
Argela - USA. Inc.	USA	Telecommunication Solutions	U.S. Dollar	99,96	99,96
Sebit LLC	USA	Web Based Learning	U.S. Dollar	99,96	99,96
IVEA Software Solutions FZ-LLC ("IVEA")	UAE	Telecommunication Solutions	U.S. Dollar	99,96	99,96
SOBEE Yazılım Ticaret Limited Şirketi ("Sobee")	Turkey	Software gaming services	Turkish Lira	99,99	99,99
TT International Holding B.V. ("TT International")	Holland	Holding company	Euro	100	100
TT Global Services B.V. ("TT Global")	Holland	Service company	Euro	100	100
Pantel International AG ("Pantel Avustria")	Avustria	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Pantel International Hungary Kft ("Pantel Hungary")	Hungary	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
S.C. Euroweb Romania S.A. ("Pantel Romania")	Romania	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Pantel International Bulgaria EODD ("Pantel Bulgaria")	Bulgaria	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Pantel International CZ s.r.o ("Pantel Czech Republic")	Czech Republic	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Pantel Telcom d.o.o Beograd ("Pantel Serbia ")	Serbia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Pantel Telcomunikacije d.o.o ("Pantel Slovenia ")	Slovenia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Pantel International SK s.r.o ("Pantel Slovakia ")	Slovakia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
MTCTR Memorex Telekomunikasyon Sanayi ve Ticaret Limited Şirketi ("Pantel Turkey")	Turkey	Internet/data services, infrastructure and wholesale voice services provider	Turkish Lira	100	100
Memorex Telex Communications UA Ltd. ("Pantel Ukraine")	Ukraine	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Pantel International Italia S.R.L. ("Pantel İtalia)	İtalia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Pantel International DOOEL Skopje ("Pantel Macedonia")	Macedonia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Pantel International LLC ("Pantel Russia")	Russia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Türk Telekomunikasyon Euro Gmbh. ("TT Euro")	Germany	Mobil service marketing	Euro	100	100
Pan Telekom D.O.O. ("Pantel Crotia")	Crotia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	100
Net Ekran TV ve Medya Hiz. A.Ş. ("Net Ekran")	Turkey	Television and radio broadcasting	Turkish Lira	100	100

1. Basis of preparation financial statements

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 number of personnel of the Group as at 31 March 2012 and 31 December 2011 is 35.278 and 34.886, respectively.

Consolidated financial statements were approved by the Board of Directors of the Company and authorized for issue on 17 April 2012. 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 interim condensed consolidated financial statements are stated below:

2.1 Basis of presentation of the consolidated financial statements

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

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

Interim condensed consolidated financial statements of the Group do not include the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Group‟s annual financial statements as of 31 December 2011.

The condensed consolidated financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with the Accounting Standards of the CMB and are presented in TL. Such adjustments mainly comprise the effect of accounting for deferred taxation, provision for doubtful receivables, accounting for the depreciation charge of property, plant and equipment according to lower of useful life and concession periods, accounting for expense accruals, accounting of property, plant and equipment and intangible assets in accordance with International Financial Reporting Interpretations Committee (“IFRIC”) 12, effects of application for long-term employee benefits according to International Accounting Standards (“IAS”) 19 “Benefits Provided to Employees”, and the effects of application of International Financial Reporting Standards (“IFRS”) 3 “Business Combinations”.

2. Basis of preparation financial statements (continued)

2.1 Basis of presentation of the consolidated financial statements (continued)

As at 31 March 2012 and 31 December 2011, the interim condensed consolidated financial statements have been prepared on the historical cost basis except with for the property, plant and equipment and investment property for which the deemed cost method was applied in accordance with IAS 16 “Property, Plant and Equipment” for acquisitions prior to 1 January 2000, derivative financial instruments and minority put option liability which have been reflected at their fair values.

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

In accordance with article 5 of the CMB Accounting Standards, companies should apply IFRS as adopted by the European Union (EU). However, again in accordance with the provisional clause 2 of the same standards adoption of the IFRS as adopted by the EU is postponed until the Turkish Accounting Standards Board declares the differences between the IFRS as adopted by the EU and the IFRS as adopted by the International Accounting Standards Board (IASB). Thus, as at and for the year ended 31 March 2012, the Group prepared its interim condensed consolidated financial statements in accordance with IFRS adopted by the IASB.

Additional paragraph for convenience translation to English

As at 31 March 2012, the accounting principles described in Note 2 (defined as CMB Accounting Standards) to the accompanying financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting and also for certain disclosures requirement of the CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at 31 March 2012 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2012. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

2. Basis of preparation financial statements (continued)

2.1 Basis of presentation of the consolidated financial statements (continued)

The new standards, amendments and interpretations which are effective as at 1 January 2012 are as follows:

IAS 12 Income Taxes: Recovery of Underlying Assets (Amendment)

IAS 12 has been updated to include i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. These amendments will be applied retrospectively. This standard has not yet been endorsed by the EU. This amendment had no impact on the financial position or performance of the Group.

IFRS 7 Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements (Amended)

The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitizations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. Comparative disclosures are not required. This amendment had no impact on the financial position or performance of the Group.

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the (consolidated) financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the interim condensed consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

IAS 1 Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income

The amendments are effective for annual periods beginning on or after 1 July 2012, but earlier application is permitted. The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or ‘recycled’) to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. This standard has not yet been endorsed by the EU. The amendment affects presentation only and will have no impact on the financial position or performance of the Group.

2. Basis of preparation financial statements (continued)

2.1 Basis of presentation of the consolidated financial statements (continued)

IAS 19 Employee Benefits (Amended)

Amended standard is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the amended standard on the financial position or performance of the Group.

IAS 27 Separate Financial Statements (Amended)

As a consequential amendment to IFRS 10 and IFRS 12, the IASB also amended IAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Transitional requirement of this amendment is similar to IFRS 10. This standard has not yet been endorsed by the EU. This amendment will not have any impact on the financial position or performance of the Group.

IAS 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to IFRS 11 and IFRS 12, the IASB also amended IAS 28, which has been renamed IAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to IFRS 11. This standard has not yet been endorsed by the EU. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. This standard has not yet been endorsed by the EU. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amended)

New disclosures would provide users of financial statements with information that is useful in (a) evaluating the effect or potential effect of netting arrangements on an entity’s financial position and (b) analyzing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards. This standard has not yet been endorsed by the EU. The amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The amendment affects disclosures only and will have no impact on the financial position or performance of the Group.

2. Basis of preparation financial statements (continued)

2.1 Basis of presentation of the consolidated financial statements (continued)

IFRS 9 Financial Instruments – Classification and measurement

As amended in December 2011, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

IFRS 10 Consolidated Financial Statements

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

IFRS 11 Joint Arrangements

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This standard has not yet been endorsed by the EU. The Group does not expect that this standard will have a significant impact on the financial position or performance of the Group.

IFRS 12 Disclosure of Interests in Other Entities

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements should be also adopted early.

IFRS 12 includes all of the disclosures that were previously in IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. This standard has not yet been endorsed by the EU. Under the new standard the Group will provide more comprehensive disclosures for interests in other entities.

2. Basis of preparation financial statements (continued)

IFRS 13 Fair Value Measurement

The new Standard provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 and will be adopted prospectively. Early application is permitted. The new disclosures are only required for periods beginning after IFRS 13 is adopted — that is, comparative disclosures for prior periods are not required. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

The Interpretation is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted. Entities will be required to apply its requirements for production phase stripping costs incurred from the start of the earliest comparative period presented. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. This standard has not yet been endorsed by the EU. The interpretation is not applicable for the Group and will not have any impact on the financial position or performance of the Group.

2.2 Basis of consolidation

As at 31 March 2012, the interim condensed consolidated financial statements include the financial results of Türk Telekom and its subsidiaries listed at Note 1. Control is normally evidenced when the Company owns, either directly or indirectly, more than 50% of the voting rights of a subsidiary’s share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The results of subsidiaries acquired during the year are included in the consolidated statements of income from the effective date of acquisition as appropriate.

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

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

Minority interest in the net assets of consolidated subsidiaries is identified separately from the Group’s equity therein. Minority interest consists of the amount of those interests at the date of the original acquisition and the minority’s share of changes in equity since the date of the acquisition.

Loses within a subsidiary are attributed to minority interest even if that result in deficit balance. As at 31 December 2012, minority interest in Innova, Argela, AssisTT, Sebit, Sobee, Argela - USA, Inc, IVEA and Sebit LLC have not been recognized in the interim condensed consolidated financial statements due to their immateriality.

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

2.2 Basis of consolidation

On 15 September 2006, the Company, Türkiye İş Bankası A.Ş. (İş Bank) and the companies controlled by İş Bank (altogether will be referred as İş Bank Group) signed an “Amendment Agreement” to the “Shareholder Agreement” and the “IPO and Put Option Agreement” originally dated 15 February 2004. In accordance with the Amendment Agreement, the Company has granted a put option to İş Bank Group, the minority shareholder in Avea, on the shares owned by İş Bank Group. In order to reflect the minority put option liability in the consolidated financial statements, the minority interest is reclassified as minority put option liability as ‘’long term liabilities’ after appropriation to the minority interest of its share of recognized income and expense for the year. The value of the minority interest before the fair value calculation and the fair value amount is classified as ‘minority put option liability reserve’ based on the Group accounting principles applied for the acquisition of minority shares (Note 10).

3. Seasonal changes in the operations

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

4. Earnings per share

The calculation of the earnings per share attributable to the equity holders of the parent is as follows:

	For the three month period ended 31 March 2012	For the three month period ended 31 March 2011
Weighted average number of shares outstanding during the period (in number)	350.000.000.000	350.000.000.000
Net profit for the period attributable to equity holders of parent	771.624	608.840
Earnings per share (in full kuruş)	0,2205	0,1740

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated.
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5. Segment reporting

The Group has two main segments: Fixed line and GSM. Fixed line services are provided by Türk Telekom, TTNet, Argela, Innova, Sebit, Sobee, AssisTT and Pantel Group whereas GSM service is provided by Avea. Group management assesses segment performance over earnings before interest, tax, depreciation and amortization ("EBITDA"). EBITDA is calculated by adding interest, tax, depreciation, amortization, and impairment over operating income. Group management uses EBITDA as it is comparable with other companies in the sector. As Group management does not monitor Group's performance over geographical segments, geographical segment reporting is not presented. The segment results, balance sheet items and the cash flows are presented below:

	Fixed line		Mobile		Eliminations		Consolidated	
	1 January- 31 March 2012	1 January- 31 March 2011	**1 January- 31 March 2012**	1 January- 31 March 2011	**1 January- 31 March 2012**	1 January- 31 March 2011	**1 January- 31 March 2012**	1 January- 31 March 2011
Revenue								
Domestic PSTN	**990.097**	1.055.193	-	-	-	-	**990.097**	1.055.193
ADSL	**743.813**	720.629	-	-	-	-	**743.813**	720.629
GSM	**-**	-	**787.017**	702.833	-	-	**787.017**	702.833
IFRIC 12 revenue	**32.767**	5.874	-	-	-	-	**32.767**	5.874
Data service revenue	**132.750**	105.077	-	-	-	-	**132.750**	105.077
International sales	**104.405**	97.683	-	-	-	-	**104.405**	97.683
Interconnection revenue	**77.206**	75.135	-	-	-	-	**77.206**	75.135
Leased lines	**98.879**	118.682	-	-	-	-	**98.879**	118.682
Rent income from GSM operators	**23.654**	25.626	-	-	-	-	**23.654**	25.626
Other	**51.054**	61.229	-	-	-	-	**51.054**	61.229
Eliminations	**-**	-	-	-	**(82.104)**	(81.064)	**(82.104)**	(81.064)
Total revenue	**2.254.625**	2.265.128	**787.017**	702.833	**(82.104)**	(81.064)	**2.959.538**	2.886.897
Cost of sales and operating expenses (excluding depreciation and amortization)	**(1.135.327)**	(1.121.295)	**(712.096)**	(633.192)	**82.199**	77.783	**(1.765.224)**	(1.676.704)
Other operating income / (expense)	**33.129**	67.009	**3.065**	14	**1.140**	12	**37.334**	67.035
Depreciation and amortization and impairment	**(259.659)**	(243.602)	**(156.943)**	(160.530)	**2.373**	412	**(414.229)**	(403.720)
Earnings before interest, tax, depreciation and amortization ("EBITDA")	**1.152.427**	1.210.842	**77.986**	69.655	**1.235**	(3.269)	**1.231.648**	1.277.228
Doubtful receivable provision expense	**17.262**	53.636	**10.630**	18.684	**-**	-	**27.892**	72.320
Capital expenditure	**269.441**	139.664	**135.705**	177.623	**(537)**	(3.218)	**404.609**	314.068

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated.
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5. Segment reporting (continued)

	1 January- 31 March 2012	1 January- 31 March 2011
Fixed line segment EBITDA	**1.152.427**	1.210.842
Mobile segment EBITDA	**77.986**	69.655
Inter-segment eliminations	**1.235**	(3.269)
Consolidated EBITDA	**1.231.648**	1.277.228
Financial income	**390.035**	168.051
Financial expenses (-)	**(229.732)**	(289.394)
Depreciation and amortisation	**(414.229)**	(403.720)
Consolidated profit before tax	**977.722**	752.165

31 March 2012	**Fixed line**	**Mobile**	**Eliminations**	**Other unallocated amounts**	**Total**
Total segment assets	**14.607.500**	**5.480.301**	**(3.716.834)**	**-**	**16.370.968**
Total segment liabilities	**(7.397.689)**	**(5.712.996)**	**3.843.784**	**(667.891)(*)**	**(9.943.792)**

31 December 2011	Fixed line	Mobile	Eliminations	Other unallocated amounts	Total
Total segment assets	15.809.970	5.274.992	(4.910.555)	-	16.174.407
Total segment liabilities	(8.309.437)	(6.462.623)	4.925.275	(558.251)(*)	(10.405.036)

(*) Includes minority put option liability amounting to TRY 667.891 (31 December 2011 – TRY 558.251).

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6. Cash and cash equivalents

	31 March 2012	31 December 2011
Cash on hand	**1.736**	2.495
Cash at banks – Demand deposits	**391.778**	399.447
Cash at banks – Time deposits	**669.116**	575.603
Other	**42**	1.131
	1.062.672	978.676

As of 31 March 2012, time deposits are all short-term, maturing within one month and denominated in both foreign currencies and TL. The interest rates are between 3,75 % - 12,40 % for TL deposits, between 0,50 % - 4,55 % for USD deposits and between 0,50 % - 8,00 % for Euro deposits. (31 December 2011 – for TL deposits between 3,75 % and 12,15 % for TL deposits, for USD deposits between 0,50 % and 5,10 % and for Euro deposits between 1,60 % and 8,00 %).

As of 31 March 2012, TL 115.744 (31 March 2011 – TL 157.288) of time deposits represents advances received from the Turkish Armed Forces for Turkish Armed Forces Integrated Communication Systems ("TAFICS") projects. The interest income from these time deposits are added to the advances received and not reflected in the consolidated statement of income as per agreement between parties (Note 9). These time deposits are restricted and can only be used for payments related to TAFICS projects.

As of 31 March 2012, demand deposits amounting to TL 320.535 (31 March 2011 - TL 290.027) is restricted due to collection protocols signed with banks for receipts from the subscribers, under which proceeds are made available to the Group a certain number of days after the cash is collected. As of 31 March 2012, all (31 March 2012 - TL 220.265) of restricted deposits in relation to bank borrowings consist of blocked time deposits related to Avea's bank borrowing. An additional amount of TL 5.508 arising from collections through automated teller machine ("ATM") is not available for use at 31 March 2012 (31 March 2011- TL 4.461).

Out of TL 1.062.672 (31 December 2011- 978.676 TL), cash and cash equivalents amounting to TL 568.829 (31 December 2011 - TL 472.817) belongs to Avea.

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

	1 January – 31 March 2012	1 January – 31 March 2011
Cash and cash equivalents	**1.062.672**	1.132.993
Less: restricted amounts		
-TAFICS projects	**(115.744)**	(157.288)
- Collection protocols	**(320.535)**	(290.027)
- Restricted deposits in relation to bank borrowings	**(266.526)**	(340.628)
- ATM collection	**(5.508)**	(4.461)
- Other	**(9.799)**	(4.098)
	344.560	336.491

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6. Cash and cash equivalents (continued)

Within the context of the Bank Account Pledge Agreement signed by Avea and its lenders, Avea provided an account pledge over all of its bank accounts amounting to 568.806 TL (31 December 2011; TL 472.798) 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.

7. Related party balances and transactions

All intra-group transactions and balances including intra-group unrealized profits and losses are eliminated for consolidation purposes and are not disclosed in this note.

Institutions under state control are defined as related parties due to 30% ownership and the golden share of the Treasury. State controlled entities are defined as related parties but in accordance with the exemption given from the IAS 24 disclosure requirements, state controlled entities are excluded from general reporting requirements.

Details of balances and transactions between the Group and other related parties as at 31 March 2012 and 31 December 2011 are disclosed below:

	31 March 2012	31 December 2011
Due from related parties		
Parent company		
Saudi Telecom Company (“STC”) (2)	**9.829**	14.604
Other related parties		
Oger Telecom Yönetim Hizmetleri Limited Şirketi (“OTYH”) (1)	**261**	78
Other	**46**	198
	10.136	14.880
Due to related parties		
Parent company		
STC (2)	**488**	667
Other related parties		
OTYH (1)	**4.533**	4.804
Other	**13**	131
	5.034	5.602

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

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7. Related party balances and transactions (continued)

Transactions with shareholders:

Avea is required under the terms of the Avea Concession Agreement, to pay 15% of its monthly gross revenue to the Treasury (the Treasury Share). In addition, the Company and other subsidiaries operating in the telecommunications sector, are liable to pay contribution at a rate of 1% to the Universal Service Fund and 0,35% to ICTA.

As of 31 March 2012, unpaid portion of these liabilities are recorded under other short term liabilities (Note 9) and are expensed under cost of goods sold account.

Transactions with other related parties:

Postage services have been rendered by PTT to the Group. Besides, PTT is collecting the Company's and TTNet's invoices and in return for these services the Group is paying collection commissions to PTT.

Operational lease payment made to PTT by the Company in the first three months of 2012 as part of the lease agreement amounts to TL 15.121 (31 March 2011 – TL 12.280).

Compensation of key management personnel

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

	1 January – 31 March 2012	1 January – 31 March 2011
Short-term benefits	**24.201**	17.909
Long-term defined benefit plans	**215**	180
	24.416	18.089

Furthermore, OTMSC charged to the Company a management fee amounting to TL 3.767 (31 March 2011 – TL 3.290) and an expense fee for an amount of TL 33 for the three months period ended 31 March 2012 (31 March 2011 –TL 32), based on the contract between OTMSC and the Company. OTMSC's ultimate shareholder is Saudi Oger. The contract has been renewed on 20 October 2009 for an annual charge of US Dollar 8.500 for the 3 years.

Guarantees provided to related parties:

The guarantees given by the Company to support the long term financing of Avea is explained in Note 8.

The Company has given guarantees to Çalık Enerji Telekomünikasyon Anonim Şirketi ("Cetel") at the amount of Euro 8.000 as a financial support.

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8. Financial Liabilities

Bank borrowings used by the Group during the period ended 31 March 2012 amounts to 6.566.537 TL (31 March 2011 – 2.683.087 TL).

The total principal repayment of bank borrowings and financial leases during the period ended 31 March 2012 amounts to 6.387.138 TL (31 March 2011- 3.217.246 TL)'dir.

Bank Borrowings

		31 March 2012			31 December 2011	
	Weighted average nominal interest rate (%)	**Original amount**	**TL equivalent**	Weighted average nominal interest rate (%)	Original amount	TL equivalent
Short-term borrowings:						
TL bank borrowings with fixed interest rates	**12,25**	**578.871**	**578.871**	12,11	755.292	755.292
US Dollar bank borrowings with variable interest rates						
Euro bank borrowings with fixed interest rates						
Interest accruals:						
TL bank borrowings with fixed interest rates		**1.329**	**1.329**		2.219	2.219
US Dollar bank borrowings with fixed interest rates		**3.065**	**5.434**		1.389	2.624
US Dollar bank borrowings with variable interest rates		**1.964**	**3.482**		7.526	14.216
Euro bank borrowings with fixed interest rates		**218**	**516**		54	132
Euro bank borrowings with variable interest rates		**5.512**	**13.044**		6.035	14.748
Short-term portion of long-term bank borrowings:						
US Dollar bank borrowings with fixed interest rates	**3,06**	**48.132**	**85.333**	3,00	43.383	81.947
US Dollar bank borrowings with variable interest rates (*)	**3,10**	**290.713**	**515.405**	3,16	403.492	762.159
Euro bank borrowings with fixed interest rates	**6,83**	**11.102**	**26.272**	6,83	11.157	27.265
Euro bank borrowings with variable interest rates (**)	**6,09**	**124.740**	**295.185**	3,92	259.431	633.995
Total short-term borrowings			**1.524.871**			2.294.597
Long-term borrowings:						
US Dollar bank borrowings with fixed interest rates	**3,06**	**372.473**	**660.358**	3,00	344.614	650.940
US Dollar bank borrowings with variable interest rates(*)	**3,10**	**610.771**	**1.082.836**	3,16	433.420	818.689
Euro bank borrowings with variable interest rates (**)	**6,09**	**849.727**	**2.010.794**	3,92	632.677	1.546.136
Total long-term borrowings			**3.753.988**			3.015.765
Total financial liabilities			**5.278.859**			5.310.362

(*) Libor + (varies between 0,49 – 1,73) spread
(**) Euribor + (varies between 0,45 – 1,78) spread

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8. Financial Liabilities - Net (continued)

The contractual maturities of financial liabilities in equivalent of TL are as follows:

	31 March 2012					31 December 2011				
	Up to 3 months	3 months to 1 year	1year to 5 years	More than 5 years	Total	Up to 3 months	3 months to 1 year	1year to 5 years	More than 5 years	Total
TL bank borrowings with fixed interest rates	**580.200**	**-**	**-**	**-**	**580.200**	757.511	-	-	-	757.511
US Dollar bank borrowings with fixed interest rates	**13.145**	**77.622**	**517.386**	**142.972**	**751.125**	3.354	81.217	516.028	134.912	735.511
US Dollar bank borrowings with variable interest rates	**3.453**	**515.434**	**1.032.426**	**50.410**	**1.601.723**	350.269	426.106	742.214	76.475	1.595.064
Euro bank borrowings with variable interest rates	**672**	**26.116**	**-**	**-**	**26.788**	227	27.170	-	-	27.397
Euro bank borrowings with variable interest rates	**58.751**	**249.478**	**1.692.913**	**317.881**	**2.319.023**	96.483	552.260	1.234.441	311.695	2.194.879
	656.221	**868.650**	**3.242.725**	**511.263**	**5.278.859**	1.207.844	1.086.753	2.492.683	523.082	5.310.362

The following borrowings of Avea as of 31 March 2012 and 31 December 2011 are secured by a security package:

	31 March 2012			31 December 2011		
	US Dollar	**Euro**	**TL Equivalent**	US Dollar	Euro	TL Equivalent
Borrowings secured by security package	**207.544**	**14.608**	**402.523**	335.216	20.068	682.232

Before the merger of the Company's former subsidiary of Aycell Haberleşme ve Pazarlama Hizmetleri A.Ş. ("Aycell") with Aria İletişim Hizmetleri A.Ş. ("Aria", former subsidiary of İş-TIM Telekomünikasyon Hizmetleri A.Ş.), Aria was granted financing from its network suppliers in 2001 for the acquisition of its property and equipment secured with a security package crea ted in favor of the Security Agent acting on behalf of the Senior Secured Creditors of Avea. In 2004, subsequent to merger of Aria and Aycell, the security package was revised. Accordingly, the revised security package consists of:

- Commercial Enterprise Pledge on all movable fixed assets of commercial enterprise of Aria and the trade name of Avea, (excluding the movable fixed assets of commercial enterprise of Aycell). The Commercial Enterprise Pledge secures the Senior Secured Financial Indebtedness of Avea up to a maximum amount of TL 1 million (equivalent to US Dollar 564.048 as at 31 March 2012). At 31 March 2012, the total Senior Secured Financial Indebtedness of Avea amounts to approximately TL 402.523 (31 December 2011 - TL 682.232).

- 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 March 2012 - TL 568.829; 31 December 2011 - TL 472.798).

- Mortgage on the building of AVEA in Ümraniye amounting up to US Dollar 40.600 in favor of the Security Agent.

- Assignment of Receivables: The material contracts entered into by Avea that results in a revenue or cost to Avea over US Dollar 20.000 per annum are assigned as security in favor of the Lenders as part of Security Package. In case of an event of default, Avea counterparties

- Debt Service Reserve Fund: Restricted accounts used to ensure that in order to meet debt service after six months (Note 6).

8. Financial liabilities (continued)

Addition to the security package, other terms are summarized below:

1. Financial covenants (ratios):

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

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

2. General undertakings, among others, are:

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

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

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

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

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

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

   c) Pledging shares it owns in Avea,

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

   e) Company also provides extra support on demand of Avea due to operational or financial shortage amounting to US Dollar 450.000. (additional support)

      The support has been wholly used as of 31 March 2012.

   f) Türk Telekom provides support amounting to Euro 214.000 for financing of 3G license fee.

      The support has been wholly used as of 31 March 2012.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated.
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g) Türk Telekom provides support amounting to US Dollar 250.000 for financing acquisition of assets under Ericsson 2G and 3G contract.
The support has been wholly used as of 31 March 2012.

8. Financial liabilities (continued)

Pantel Turkey borrowed Euro 10.000 loan in total from a Turkish bank's Bahrain Branch for the investment of construction of fiber optic lines.

Pantel Turkey, in return for this loan, assigned its receivables amounting to its outstanding loan balance to the corresponding bank. As of 31 March 2012 loan payable amounts to Euro 3.307.

9. Other current and non-current assets

Other current assets

	31 March 2012	31 December 2011
Income accrual	**385.872**	400.241
Other prepaid expenses	**225.715**	138.770
Advances given	**99.928**	90.406
Prepaid rent expense	**142.920**	86.664
Intermediary services for collection	**147.558**	75.323
VAT and Special Communications Tax (SCT) receivable	**20.676**	49.927
Other current assets	**8.083**	3.374
	1.030.752	844.705

Prepaid rent expenses consist mainly of the prepaid rents paid for Avea's base stations.

Income accruals mainly consists of GSM and ADSL post-paid subscription income accruals and unbilled equipment sales income within the context of campaigns.

Advances given consist of advances for inventory, tangible and intangible assets purchases and advances given to personnel.

Other current liabilities

	31 March 2012	31 December 2011
Expense accruals (1)	**374.424**	371.839
Advances received (2)	**174.178**	170.744
Accrual for Universal Service Fund (3)	**133.995**	108.492
Deferred revenue (4)	**82.768**	77.880
Accrual for contribution to the ICTA	**58.872**	44.172
Accrual for the Treasury Share	**44.027**	43.405
Accrual for capital expenditures (5)	**50.401**	24.750
Other payables	**12.417**	15.526
	931.082	856.808

1) Expense accruals mainly result from provision for dealer commissions and interconnection provisions.

9. Other current and non-current assets (continued)

Other current liabilities (continued)

2) The Company acts as an intermediary of Ministry of Defence and North Atlantic Treaty Organization (NATO) projects by transferring advances received to the contractors and supports the management of the projects. Expenditures arising from the projects are deducted from the advances received at the date of the expenditure. Advances not used are held as time deposits and the interest earned is credited to the advances received in accordance with the agreement between the parties (Note 6).

3) According to the law numbered 5369 published on 16 June 2005, Türk Telekom and TTNet will contribute 1% of their net revenues of each year to the Ministry of Transportation as Universal Service Fund. The contribution is payable by the end of April of the following year.

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

5) Capital expenditure accruals represent the unreceived invoices for the fixed asset purchases that have been received within the agreement.

10. 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.

Avea's Extraordinary General Assembly convened on February 28, 2012 and decided to decrease Avea's share capital which is TL 7.115.000 by netting off TL 3.295.000 previous losses and increase it back to TL 7.115.000 with a share premium. In this process, Isbank Group Companies, then owning 18.63% of Avea shares, decided not to exercise their preemptive rights and The Company exercised their unexercised rights, as well as its own rights. With this decision The Company's share in Avea increased to 89.9965%. The decisions taken in the Extraordinary General Assembly was registered on March 20, 2012 to trade registry.

10. Minority put option liability (continued)

While determining fair value of minority put option liability as of 31 March 2012, it had been assumed that İş Bankası Group would exercise its option on 1 January 2015. The Company has estimated a value based discounted cash flows after 31 December 2014. The value determined as at 1 January 2015 is then discounted back to 31 March 2012. The fair value of the put option liability as at 31 March 2012 amounts to TL 667.891 (31 December 2011 – TL 558.251). In accordance with Group accounting policies, the change between fair values of minority put option liabilities as of 31 March 2012 and 31 December 2011 has been accounted in other reserves under equity.

In order to reflect the minority put option liability in the consolidated financial statements, the minority interest (after giving the effect of loss) as at 31 March 2012, amounting to negative TL 24.180 (31 December 2011 – TL 221.133), 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 667.891 (31 December 2011 - TL 558.251), and the difference of TL 692.064 (31 December 2011 - TL 779.384) is reflected in equity as "minority put option liability reserve", based on the Group's accounting policy for the acquisition of minority interest.

The enterprise value used as a base for the minority put option fair value determination has been calculated using cash flow projections from the business plan of Avea covering a five-year plan. WACC used for the discount of cash flows for the period that Avea will pay income tax is 13,9% and 15% for non-taxable period. The valuation is tested at a sensitivity of +2% / -2%. The value in use projections are based on a discounted cash flow (DCF) study implemented until 2029.

11. Tangible and intangible assets

The amount of tangible and intangible assets purchased during the three-month period ended 31 March 2012 is TL 404.609 (31 March 2011 – TRY 317.662).

The cost of tangible and intangible assets sold during the three-month period ended 31 March 2012 amounted to TL 10.488 (31 March 2011 – TRY 32.406).

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

12. Commitments and contingencies

Guarantees received and given by the Group are summarized below:

		31 March 2012		31 December 2011	
		Original currency	**TL**	Original currency	TL
Guarantees received	**US Dollar**	**243.437**	**431.589**	230.191	434.808
	TL	**724.547**	**724.547**	707.501	707.501
	Euro	**83.821**	**198.354**	85.316	208.495
	Sterling	**8**	**22**	8	23
			1.354.512		1.350.827
Guarantees given (*)					
	US Dollar	**158.472**	**280.955**	153.539	290.020
	TL	**146.138**	**146.138**	187.042	187.042
	Euro	**14.649**	**34.665**	16.429	40.149
	Other	**-**	**-**	115	65
			461.758		517.276

(*) US Dollar 151.500 of the amount (31 December 2011 – US Dollar 151.500) is related with the guarantee provided to the ICTA by Avea with respect to the Avea Concession Agreement and Euro 12.840 is related with the guarantee provided for 3G (31 December 2011 – Euro 12.840) license.

The Company’s guarantee, pledge and mortgage (GPM) position as at 31 March 2012 and 31 December 2011 is as follows:

GPMs given by the Company	**31 March 2012**	31 December 2011
A. GPMs given on behalf of the Company’s legal personality	**2.102.344**	2.055.556
B. GPMs given in favor of subsidiaries included in full consolidation	**1.528.084**	1.624.730
C. GPMS given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	**17.663**	5.646
D. Other GPMs	**18.931**	19.550
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	**18.931**	19.550
iii. GPMs given in favor of third party companies not in the scope of C above	**-**	-
Total	**3.667.022**	3.705.482

GPMs given by the Group as at 31 March 2012 are equivalent to 0,29% of the Company’s equity (31 December 2011 – 0,34%).

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

13. Financial risk management objectives and policies

Foreign currency position:

	31 March 2012					31 December 2011				
	TL equivalent	US Dollar	Euro	GBP	Other	TL equivalent	US Dollar	Euro	GBP	Other
1. Trade receivables	168.492	31.180	47.519	-	1.612	183.181	41.827	42.294	-	1.612
2a. Monetary financial assets (Cash and banks accounts included)	305.256	156.056	12.069	9	-	360.911	164.763	20.321	10	-
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
3. Other	17.749	6.052	2.967	-	-	15.966	4.669	2.920	-	21
4. Current assets (1+2+3)	491.497	193.288	62.555	9	1.612	560.058	211.259	65.535	10	1.633
5. Trade receivables	-	-	-	-	-	2.763	1.399	3	-	222
6a. Monetary financial assets	-	-	-	-	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
7. Other	137	72	4	-	-	13	2	5		-
8. Non-current assets (5+6+7)	137	72	4	-	-	2.776	1.401	8	-	222
9. Total assets (4+8)	491.634	193.360	62.559	9	1.612	562.834	212.660	65.543	10	1.855
10. Trade payables	560.054	172.317	107.282	243	592	765.914	230.341	135.014	180	597
11. Financial liabilities	938.596	351.808	133.060	1	-	1.577.071	470.317	280.221	1.332	-
12a. Monetary other liabilities	174.613	35.947	46.036	685	865	165.081	34.885	39.806	655	852
12b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-
13. Short-term liabilities (10+11+12)	1.673.263	560.072	286.378	929	1.457	2.508.066	735.543	455.041	2.167	1.449
14. Trade payables	47.125	-	19.914	-	-	3.392	3.373	19.934	-	-
15. Financial liabilities	3.673.901	985.102	814.491	-	-	3.047.958	781.096	643.484	-	-
16 a. Monetary other liabilities	82.013	-	34.657	-	-	86.060	-	35.216	-	-
16 b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-
17. Long-term liabilities (14+15+16)	3.803.039	985.102	869.062	-	-	3.137.410	784.469	698.634	-	-
18. Total liabilities (13+17)	5.476.302	1.545.174	1.155.440	929	1.457	5.645.476	1.520.012	1.153.675	2.167	1.449
19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b)	-	-	-	-	-	-	-	-	-	-
19a. Total asset amount hedged	-	-	-	-	-	-	-	-	-	-
19b. Total liability amount hedged	-	-	-	-	-	-	-	-	-	-
20. Net foreign currency asset/(liability) position (9-18+19)	(4.984.668)	(1.351.814)	(1.092.881)	(920)	155	(5.082.642)	(1.307.352)	(1.088.132)	(2.157)	406
21. Net asset/(liability) position of foreign currency monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(5.002.554)	(1.357.938)	(1.095.852)	(920)	155	(5.098.621)	(1.312.023)	(1.091.057)	(2.157)	385
22. Fair value of FX swap financial instruments	-	-	-	-	-	-	-	-	-	-

14. Other financial investments and other financial liabilities

Cash flow hedges

Interest rate swaps

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

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

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

As of 31 March 2011, notional amount that will be due till 30 September 2013 amounts to US Dollar 207.543 and Euro 14.608.

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 March 2012, fair value of realized interest rate swap transactions amounts to TL 16.148 (31 December 2011 – TL 35.118). As of 31 March 2012, the amount of TL 9.560 unrealized interest rate swap loss has been recognized under equity reserves. For the interim period ended 31 March 2011, realized interest rate swap loss amounting to TL 17.385 (31 December 2011 – TL 50.255) and unrealized interest rate swap loss amounting to TL 12.079 has been classified to consolidated income statements.

As the Amended and Restated Transaction resulted in a change in the hedge structure the effect of the old hedge (which leads to significant negative fair value of the hedge as of inception date-30 September 2009) and new hedge is separated and the effect of old hedge relating to outstanding borrowing after prepayment is followed up separately. The new hedge is found as effective as result of effectiveness test and fair value of the new hedge with an amount of TL 2.820 is continued to be recognized under other comprehensive income. The fair value of old hedge as of September 28, 2009, which being recognized under other comprehensive income, (US Dollar 31.8 million) will be amortized until 2015 which is the residual maturity of original hedge relationship. The unamortized portion of old hedge which is recognized under other comprehensive income amounts to TL 6.740.

Accordingly the total unrealized loss recognized under other comprehensive income amounts to TL 9.560.

Hedge of net investment in a foreign operation

The Company acquired a loan for a total of Euro 150.000 in order to hedge its net investment at a foreign operation with a Euro functional currency. Foreign exchange gain and/or loss resulted from the subsidiary's net investment portion of this loan is re-classed to reserve for hedge of net investment in a foreign operation under equity.