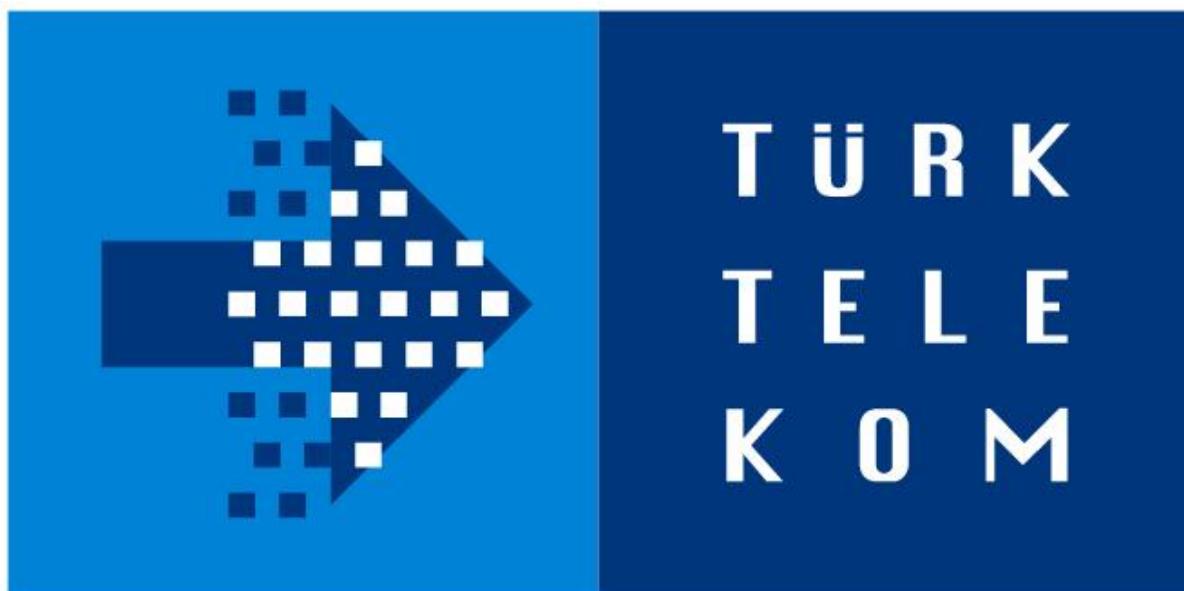


TÜRK TELEKOMÜNİKASYON A.Ş.



2010 ANNUAL REPORT



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1. MESSAGE FROM THE CHAIRMAN OF THE BOARD

Turkey continues to be a leading star among emerging markets with its young dynamic population and growing economy which displayed a remarkable performance over the last couple of years. I am happy and proud to see that Türk Telekom is playing an integral role to enhance and grow the Turkish economy and the quality of life for her people.

Türk Telekom and group companies continue to drive telecommunication industry in Turkey with strong operating performance and leading technology and convergence initiatives. Our group had an outstanding performance in 2010 delivering almost TL 11 billion in revenues and TL 2.45 billion in net income. We achieved growth both in our fixed line and mobile business segments. Building on synergies between Türk Telekom group companies we continued offering total telecommunication solutions and value added services to our customers.

In 2010, we took an essential step for a more dynamic and efficient management of Türk Telekom Group and appointed Mr. Hakam Kanafani as Türk Telekom Group CEO and Mr. K. Gökhan Bozkurt as Türk Telekom CEO, which will ensure a strong and sustainable growth of the Group's operations which reached ten companies.

While keeping pace with the technology, Türk Telekom group continues to invest in Turkey's digital future. As Türk Telekom, we lay foundations of this future with our continuing investments in line with our current convergence strategy in the most powerful way. In the last five years, our total amount of investment reached to TL 9 billion. Our investments cover infrastructure, technology and more importantly Turkey's human capital. Türk Telekom group invested TL 1.7 billion and recruited more than six thousand new and skilled employees last year, mostly young Turkish university graduates. As we focus on investing in technology and our employees, we enhance the quality of services provided to our customers.

Our focus is to enable customers to collaborate, communicate, and access information or media on any device, in a cost effective way in order to manage and engage in personal, social and business life anywhere. Our strategy in Türk Telekom is to ensure our leadership in communication services by creating a unique value with convergent services and to become the main communication hub in the region. Following this strategy, we acquired Pantel International (formerly Invitel International) and launched JADI Fiber Link Project in 2010.

As Türk Telekom group, we place great emphasis on supporting education in Turkey. I am especially proud of our online education software services developed by our group company Sebit. Vitamin, an online education support service for students and teachers became a global brand with English, Spanish and Arabic versions available in other countries and reached to millions of students. I am happy to see that thousand of students are attending schools built by Türk Telekom and about 1,000 Internet Houses donated by Türk Telekom are visited by 200,000 people each day.

We also continue to improve our corporate governance practices in accordance with international standards. Türk Telekom became the first and only telecommunication company in ISE Corporate Governance Index soon after IPO and improved its Corporate Governance Rating in 2010.

I would like to express my sincere gratitude and warmest thank-you to all members of the Turk Telekom family for making their individual contributions to the success achieved by the Türk Telekom Group in 2010.

We will continue to create value for our shareholders, customers and all stakeholders with our innovative products and services. This is not only our future direction, but our general mindset and it is indeed, an obligation to this great nation.

2. MESSAGE FROM THE GROUP CEO

Türk Telekom Group is an integrated operator that is now the leader of Turkey's Telecommunications and Information Technology sector with our "smart growth" strategy and efficient corporate structure. Our vision is about converged building-blocks that encompass all communications services. Those building blocks cover holistically the full range of our customers' needs, requirements, habits and aspirations. Today, we set a successful case study of converged technologies that has set the trends of the future. Inspired by their own success, our people are an integral part of Turkey's economic progress.

Our mobile and fixed broadband "building blocks" have demonstrated solid growth in the face of intensified competition. On the fixed broadband side, we continued our investments in fiber to the neighborhood (FTTN) which now covers around three million homes. In 2010, we enhanced our annual ADSL ARPU by 8% and increased the number of ADSL connections by 500.000 subscribers. By improving our infrastructure and our service quality, we have started offering higher quotas and speeds to ADSL customers. On the mobile side, AVEA has achieved significant EBITDA growth and noteworthy service level improvements. AVEA increased its postpaid customers by almost 10% yoy while the blended ARPU increased by 8% thanks to innovative tariff and VAS offerings and Türk Telekom Group cross selling activities.

Innova's creative mobile communications technology coupled with the company's banking sector knowledge pioneered new and fresh approach in mobile banking with PayFlex application. Thanks to another Innova product "Innova Paying Kiosk"s, users can pay bills, load units, and perform various transactions such as tax payment and sale and purchase of exchange.

Argela added new products for the future by developing Avatar technology. Argela, developed web TV and femtocell solutions and continues to focuss on developing technologies that will create value for our group customers in Turkey and outside the border as well.

Sebit's education software Vitamin, is a proven success case in Turkey and many other countries as well. Vitamin is used in different countries' with the local curriculum (in Turkish, English and Arabic and Spanish). Our gaming and animation developer Sobee is an exciting venture. Sobee's "I Can Football" project is a first in the world, and growing rapidly. AssisTT is Turkey's leading call centre solution provider. The company invested in well trained human resources and top notch computer systems. Notably the call centre opened in Erzincan and with its other investments in the country, AssisTT also contributed to improving recruitment.

Türk Telekom Group currently has more than 34 thousand employees and is one of the biggest employers in Turkey. We focus on contributing to the Turkish economy by creating career opportunities based on objective recruitment guidelines and fair guidelines. Our Human Resource plans are now implemented in most cities in Turkey.

Our people are our most valuable asset. Our people deliver customer-oriented products and services with professional skills and warm enthusiasm. Our people are the team that ensures our success not only on the commercial level but also on corporate social responsibility projects and corporate transformation.

Türk Telekom Group is very well positioned to sustain the momentum and continue to build on our recent growth in 2011 and we will continue to improve our services to the market, capitalizing on our advanced distribution channels, strong brand name, converged products, team-work and synergies. In the name of our shareholders and board I am honored to thank all members of Türk Telekom Group family for a job well done. And I extend my warmest gratitude to our customers and business partners for their support and contribution to Türk Telekom Group's ongoing success.

3. MESSAGE FROM THE CEO

We have left behind another year in which we continued our investments in infrastructure and technology. We work very hard in order to make life easier for our customers and to create value for all of our stakeholders -especially our customers and business partners- and for our country.

In 2010, we acquired Invitel International (rebranded as Pantel International) and signed a very important terrestrial fiber optic link agreement (JADI Link) with leading operators from Saudi Arabia, Jordan, and Syria making Turkey the new telecommunication hub in the region. Our innovative practices to increase fixed line traffic and the investments we made as the leading player at internet transformation in Turkey were the other focus areas. The foundations we laid during 2010 and the convergence technologies and value added services ensured the reinforcement of our competitive position; lastly, our increased broadband capabilities ensured the introduction of more innovative broadband services .

Our investments focused on human resources in addition to infrastructure and technology . We continued our innovative HR practices to enhance our employees' career development and therefore enhancing the quality of services provided to our customers.

On fixed voice side, we aimed to stabilize the PSTN subscriber numbers and traffic in 2010. Our *Ev Avantaj* ("Home Advantage") tariffs and the value added services under the *Ev Gibisi Yok* ("Nowhere Like Home") concept, as well as our holiday and New Year campaigns had outstanding success. Currently, one in three customers use our *Ev Avantaj* bundles. Thanks to our new bundles and value added services fixed phone usage increased in 2010 compared to 2009 and PSTN subscriber decrease slowed down which signals a new era on Turkish telecommunications market after years of fixed to mobile substitution.

On fixed internet side, we continued our investments in fiber to the neighborhood (FTTN) which now covers around 3 million houses. By improving our infrastructure and our service quality, we have started offering higher quotas and speeds to ADSL users. In addition, we have started offering speed packages up to 50 Mbps and 100 Mbps with VDSL2 technology, and increased our speed up to 16 Mbps at ADSL2+.

In 2010, we were once again awarded "the most valuable brand in Turkey" following the same success in the previous year in a survey "Most Valuable Brands in Turkey" conducted by Brand Finance, a UK-based leading independent brand valuation company, Moreover, we were awarded with many prestigious international awards by various organizations, such as Best Fixed Line Operator, Best Content, Best Innovation and Best New Product.

While achieving these, we were also in line with our objective to add value to the society. We accelerated our social responsibility projects in education, environment and sports fields. Apart from 76 education buildings we have constructed, 967 internet houses we have opened up to now in each town of Turkey, 41 sports clubs established covering all sports activities from fencing to swimming, and the forestry we developed in 81 provinces of Turkey with the name 'e-invoice

forests' under *Eğitime Tam Destek* ("Full Support for Education") Project; we started to apply sustainable practices in our own business processes with an aim to leave a livable environment to the future generations.

In 2011, we will continue to improve our services and create value to all our stakeholders and country based on our strong brand, convergence products and team spirit. The successful results and growth momentum achieved by Türk Telekom in 2010 will pave the way for the strong performance targeted for 2011.

4. MISSION, VISION, VALUES, GOALS AND STRATEGY

Türk Telekom's objective is to provide fast, high quality and cost saving services to its customers through customer oriented integrated communication solutions in anywhere at any time.

Mission;

To give fast, high quality and cost saving services to its customers in anywhere at any time by providing customer oriented integrated communication solutions.

Vision;

To become the most appropriate address that carries our customers to the future in communications field.

Our Values;

Our values that represent value chain making our Company unique and identify character of our Company are;

- Customer Oriented
- Reliable
- Innovative
- Responsible and Devoted
- Our Strength is our Solidarity and Team Spirit.

Our Goals and Strategy

Türk Telekom aims to continue its leadership by adding value to convergence services and become major communications provider in the region.

Our main focal points are to provide communication efficiency to the best cost by taking into account needs of our customers in their personal, social and business lives, and guarantee their access to data and content through any device.

Our strategies that we apply in order to realize such goals are:

- To stimulate household communication through integrated product portfolio and services
- To utilize our fixed assets more effectively in order to strengthen our position in the mobile market
- To diversify our product portfolio by entering into the field of digital media and informatics
- To develop and grow internet service via innovative products, price plans and by entering into under-penetrated markets
- To provide high quality service experience to our customers always in order to increase customer lifetime value effectively

5. BOARDS OF DIRECTORS AND AUDITORS, SENIOR MANAGEMENT

Board of Directors

Our company's recent member selection of the Board of Directors and the Audit Board at the Türk Telekom Extraordinary General Assembly Meeting has been on November 14, 2008. During 2010, two members in Board of Directors and one member in Audit Board has changed. Backgrounds of our Board of Directors members and Audit Board members, who worked within 2010 and were assigned after the end of this period, are presented below. 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 Executive Committee since April 9, 2009.

İbrahim Şahin 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 Tivnikli 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. He is presently in the management of Eksim Group, as well. Mr. Tivnikli has been serving as board member of Türk Telekom since 14.11.2008 and member of Executive Committee since April 9, 2009.

İsmet Yılmaz

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. Between November 14, 2008 and March 10, 2011 he served as member on the Board of Directors.

Dr. Ali Arıduru

Member

(1959) After getting his BSc in Mechanical Engineering from Istanbul University, Dr. Ali Arıduru 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. Between June 1, 2007 and March 10, 2011 he served as member on the Board of Directors.

Mehmet Habib 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. Camaltı 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. Between November 14, 2008 and March 8, 2011 he served as member on the Board of Directors. Also he served as member on Audit Committee between April 9, 2009 and March 8, 2011.

Dr. Paul (Boulos H.B.) Doany

Member

(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 a board member since April 22, 2008 and member of Executive Committee between April 9, 2009 and October 20, 2010, beginning with October 20, 2010 he is serving as a member of Audit Committee. Dr. Doany has served as the CEO

of Türk Telekom between March 2, 2006 and August 20, 2010. 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, which Turk 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.

Hakam Kanafani

Board Member – Türk Telekom Group CEO

Hakam Kanafani is a University Trustee Scholar and holds Beta Gamma Sigma honors from the United States. He graduated from the University of Maryland, College Park with a B.A. in Economics and a B.Sc. in Management Information Systems. Kanafani holds an MBA with a 4.0 GPA and he continued his Executive Education at Harvard Business School. Kanafani worked in the Apple Research Lab in College Park, Maryland and upon graduation he joined the Information Technology team based in Goddard Space Flight, NASA, Greenbelt, Maryland. He then moved to the Middle East as the Business Development Director for Egypt's oldest running private holding company "MM Sons Conglomerate." He spearheaded the conglomerate's efforts to establish successful, rapidly growing ICT enterprises. Then he was appointed CEO of Jawwal, Palestine's first private cellular network. Later Kanafani became Chief Operating Officer of the PalTel Group, where he led strategy, acquisitions and financial consolidation for the Group. Kanafani is currently a Non-Executive Director on the board of directors of TTNET, Argela, Assist, Innova and Sebit in Turkey and Cell C in South Africa. He also served on the board of directors of Avea in 2007 and 2008. Kanafani is a Young Global Leader for the World Economic Forum. He wrote several papers on Information Communications Technology and International Management. He was featured in the Independent, Forbes magazine and other periodicals. In 2005, he was named as one of the 100 most influential figures in the Arab Word. He became CEO of Türk Telekom Group in August 20, 2010. Has been appointed as a member of the Board of Directors on October 20, 2010.

Samir 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. Between July 30, 2008 and February 8, 2011 he served as the board member.

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. Between November 14,2005 and October 20,2010 he served as a board member.

Committees of Board Of Directors

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. Mohammed Hariri was assigned to Chairman of committee , İbrahim Şahin to Vice - Chairman , Abdullah Tivnikli, Saad Zafer M.Al Kahtani and Dr. Paul (Boulos H.B.) Doany were assigned as members. With the resolution dated October 20,2010; Hakam Kanafani was selected as member to fill vacant position left by Dr. Paul (Boulos H.B.) Doany.

Audit Committee

Pursuant to the decision taken during the Board of Directors Meeting of April 9, 2009; Basile Yared was assigned as the Chairman of Audit Committee and Mehmet Habib Soluk and Samir Asaad O. Matbuoli were assigned as members of the Audit Committee; with the decision dated 20 October 2010, Dr. Paul (Boulos H.B.) Doany was selected as the member for the vacant position left by Basile Yared, and Samir Asaad O. Matbuoli was selected as the Head; in 2011, Ghassan Hasbani was selected as the Chairman to fill the vacant position left by Samir Asaad O Matbuoli. Mehmet Habip Soluk resigned from his duties as a Board Member on March 8,2011.

Board of Auditors

Efkan Ala

Statutory Auditor

(1965) He holds a degree from Istanbul University and a 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. Aydın 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. Between November 14, 2008 and February 9, 2011 he served as a statutory auditor.

Our Board of Directors members and Audit Board members who were assigned after the end of the period

Ghassan Hasbani
Board member

(1972) Having honors degree from Engineering Faculty of University of Hull in UK, Ghassan Hasbani got his master's degree in Business Administration at University of Westminster. Being a member of the Institution of Engineering and Technology in Great Britain, Hasbani is a chartered engineer. Ghassan Hasbani worked in leader companies of telecom and technology sector including Nortel Networks and Cable & Wireless and rendered service for over 10 years in the Middle East Region. Besides the Middle East, he has also experience in European, Southeastern Asia and Latin American markets. He held office as Director of the Middle East Communications and Technology Department in Booz&Company, one of the Global Management and Consultancy companies. Still holds the position of Group's General Manager responsible for International Operations in Saudi Telecom Company, Hasbani was appointed as Member of the Board and Chairman of the Audit Committee of our Company on 8th February 2011.

Lütfi Aydın
Member of Audit Board

(1960) After completing his Bachelor's degree in Faculty of Theology at Marmara University, he got his master's degree in the field of Management in Public Enterprises at Istanbul University. Following the various positions in different local government, he held office as Director of different Departments in Ministry of Culture and the Ministry of Transportation. Rendering service as Assistant General Manager in the General Directorate of Communications, Ministry of Transportation since 2003, Aydın has been holding office as Member of the Audit Committee since February 9, 2011.

SENIOR MANAGEMENT

Hakam Kanafani
Board Member – Türk Telekom Grup CEO

Please refer to Page 10.

Kamil Gökhan Bozkurt
CEO

(1971) Kamil Gökhan Bozkurt has an economics degree from Bilkent University and a masters degree in economics from Johns Hopkins University. In 2003, after several years in private sector, Mr. Bozkurt joined Ziraat Bank as the senior manager overseeing the bank's all financial institutions. During this period, he was a board member at Ziraat Bank Moscow CJSC and Ziraat

Bank International AG. Mr. Bozkurt then joined Halkbank as the Executive Vice President of Organization and Human Resources in 2004. In this capacity, he successfully managed the merger between Halkbank and Pamukbank. In 2006, he was appointed as the Executive Vice President who managed the bank's both Financial Institution and International Banking units. During his tenure, Mr. Bozkurt was an active member of the Privatization Committee of Halkbank and a board member at Birlik Insurance. Between November 2006 and August 2010, he held office as VP of Human Resources Department in Türk Telekom, and he has been rendering service as General Manager of Türk Telekom since August 2010.

Celalettin Dinçer
VP Sales

(1966). After graduating from Electrical and Electronics Engineering Department of ITÜ, he started to work as engineer in PTT Istanbul Region Directorate. Later promoted as Data Processing Manager at the same place and then appointed as Data Processing Department Director in Türk Telekom in 2000, Celalettin Dinçer became a Vice General Manager in 2001, held office as Operations Director till December 2010, and he has been rendering service in the capacity of Sales Director since December 2010.

Şükrü Kutlu
VP Human Resources Support and Regulations

(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 Demircan
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.

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.

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 İstanbul 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.

Dr. Nazif 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. In 2008, he completed his doctorate degree in Finance at Gazi University.

Dr. Ramazan Demir
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.

Mustafa Uysal
Acting VP Finance and Group CFO

(1953) Started his business career as Tax Inspector in the Ministry of Finance in 1976, Mustafa Uysal held office in Anadolu Group as Coordinator of Financial Affairs, Vice President of Financial Affairs and Vice President of Business Development respectively.

He has been rendering service as the President of Tax Council composed of representatives of civil and non governmental organizations, academicians and experts since 2003 with his experience in finance, tax policies and tax applications, internal audit, financial systems, business strategies, business development, corporate governance, risk management, and restructuring.

Joint study of Mustafa Uysal named "Strategic Approach to Revenue Administration and Audit in the Light of Contemporary Trends" has been deemed worthy of an award by the Tax Inspectors Foundation and published. Other joint study named "Inflation Adjustment and Accounting" has been published by TÜRMOB (The Union of Certified Public Accountants and Sworn-in Certified Public Accountants of Turkey) and Yaklaşım Publishing. Mr. Uysal's articles headed "Arasıra" are published in DUNYA newspaper. Since 01.02.2010, he has been working as the Deputy of Head of Finance and Türk Telekom Group Head of Finance.

Memet Atalay
Acting VP Operations

(1970) After getting his degree on Electronic Communications Engineering from Istanbul Technical University, he started working at PTT as a transmission engineer. He then worked as switch engineer, switchboard project manager and he became Assistant Head of Study and Investment in 2002. He was in the team which established Aycell. He worked as a sector auditor at the State Supervisory Council between 2004-2005. He was appointed as Telecommunications Networks Director in 2006. Atalay held office as Network Director managing VAS, NGN & Exchange, Management Systems, Transmission Systems, Data Systems and Energy-Cooling Systems units from 2009 till November 2010 due to restructuring within Operations Department. On November 30, 2010, he was appointed as Acting Vice President of Operations.

Timur Ceylan
VP Technology

(1971) After getting his degree on Electrical Engineering from Bilkent University, he got his graduate degrees on Electrical Engineering at Hacettepe University, Economics at Bilkent University, and Electrical and Computer Engineering at University of California, Irvine. He then continued with his doctoral studies at University of California, Irvine. He began his executive career at several technology companies in Silicon Valley. He joined Türk Telekom in November 2007 as advisor to VP Operations. Between May,2008 and November,2010 he served as a Assistant General Manager of Technology in TTNET. He has appointed as a VP of Technology in November 2010.

Haktan Kılıç
Acting VP Customer Relations

Haktan Kılıç graduated from department of Industrial Engineering at Marmara University and completed his master's degree at the same department in 2001. He worked at Turkcell between 1997-2007 in various positions, after which he worked as Senior Management Advisor at IBM between 2007-2008 and worked at Eagle Mobile, Albania's mobile operator in 2008. After leaving Eagle Mobile in 2008, he moved on to work at Türk Telekom Group as Marketing Director of TTNET and worked as Customer Relations Director of TTNET from February 2009 to March 2010. He has been rendering service as Acting Vice President of Customer Relations since March 2010.

CHANGES IN SENIOR MANAGEMENT IN 2010

Our Company's Board of Directors made the following decisions in 2010:

- With the resolution dated February 1, 2010; Mustafa Uysal has been appointed as CFO of Turk Telekom Group and he will also be the acting VP of Finance of Turk Telekomunikasyon A.S.
- With the resolution dated March 10,2010; Vice Head of Commercial Transformation, Paul Taylor was assigned as Commercial Transformation Head Advisor to General Manager; and Haktan Kılıç was assigned as Acting VP of Customer Relations established in replacement of Commercial Transformation Department.
- With the resolution dated August 20,2010; K. Gökhan Bozkurt who had been working with our company as VP Human Resources, appointed as CEO of our company.

- With the resolution dated August 20,2010; Hakam Kanafani appointed as Türk Telekom Group CEO.
- With the resolution dated October 20,2010; Regulation and Support Services Division and Human Resources Division will be merged under the name “Human Resources, Support and Regulation Division”.
- With the resolution dated 30.11.2010, Aydın Çamlıbel appointed as advisor to CEO. He was replaced by Celalettin Dinçer. Memet Atalay was selected as member to fill vacant position left by Celalettin Dinçer.
- With the resolution dated 30.11.2010, A new department named “Technology” established and Timur Ceylan appointed as VP of Technology.

6. TÜRK TELEKOM GROUP IN 2010

Operational Highlights

| Major Operational KPIs | 2008 | 2009 | 2010 | 2010-2009 Annual Change |
|---|--------|--------|--------|----------------------------|
| Fixed voice (PSTN) | | | | |
| ARPU (TL) | 24.4 | 22.4 | 21.8 | (3 %) |
| Number of Subscribers (million) | 17.5 | 16.5 | 16 | (3 %) |
| MOU (minute) | 130 | 110 | 111 | 1 % |
| PSTN Line per Personnel | 587 | 600 | 624 | 4 % |
| Mobile | | | | |
| ARPU (TL) | 15.6 | 16.7 | 18.5 | 11 % |
| MoU (minute) | 173 | 242 | 263 | 9 % |
| Number of Subscribers (million) | 12.2 | 11.8 | 11.6 | (2 %) |
| Number of Base Stations | 10,203 | 11,804 | 13,344 | 13 % |
| Population Coverage(%) | 95.2 | 96.5 | 96.7 | 0 % |
| Surface Coverage (%) | 72 | 73.4 | 74.4 | 1 % |
| ADSL | | | | |
| Number of Wholesale Subscribers (million) | 5.8 | 6.2 | 6.7 | 8 % |
| ARPU | 26.7 | 29.5 | 32 | 8 % |

On fixed voice side, our Ev Avantaj ("Home Advantage") tariffs and the value added services offered under the Ev Gibisi Yok ("Nowhere Like Home") concept, developed in line with the strategy to get under control the decrease in Average Revenue Per User ("ARPU") and average minutes of usage ("MoU") as well as decrease in the number of subscribers, have achieved the targeted success. Especially our 7'den 7'ye Bedava ("Free from 7pm to 7am"), Ev Avantaj Uluslararası 6.5 Kuruş (Home Advantage International Calls at 6.5 Krs), and Cebi Aramanın En Ucuz Yolu ("The Cheapest Way to Call Mobile") campaigns attracted great attention of our customers. Now, one in three customers use our Ev Avantaj packages. In this way, fixed phone usage increased in 2010 compared to 2009, and loss of subscribers and decrease in ARPU has been slow down.

The Group has reached to 3 million households by continuing its “fiber to the neighbourhood” investments started in line with the strategy for offering higher quotas and speeds to ADSL users by improving its infrastructure and service quality on the fixed broadband side. Thus, in 2010, annual ADSL ARPU increased by 8% while the number of ADSL connections increased by 500 thousand. Within the framework of this strategy, the Group has been offering speed packages up to 50 Mbps and 100 Mbps with VDSL2 technology, and increased the speed up to 16 Mbps at ADSL2+.

Avea that has achieved marked EBITDA growth by implementing a strategy for achieving a profitable revenue growth on the mobile side, has also enhanced its service quality by increasing the number of base stations by 13% compared to 2009 thanks to the investments made within the framework of a network improvement and expansion program worth approximately TL 600 million initiated with leading network solution providers in 2010. AVEA increased its postpaid customers by almost 10% compared to 2009 while the blended ARPU increased by 8% thanks to innovative tariffs and VAS offerings and Türk Telekom Group cross selling activities. AVEA is the only mobile operator with an R&D certificate in Turkey that has developed innovative technology products like mobile personal health inspection kit (blood test etc.) and Near Field Communication (NFC).

Financial Highlights

Summary financial statements and their analyses; detailed financials are given at the end of the annual report

| Summary Balance Sheet (million TL) | 2008 | 2009 | 2010 | 2010-2009 Annual Change |
|--|---------------|---------------|---------------|--------------------------------|
| Intangible Fixed Assets | 2,734 | 3,286 | 3,517 | 7 % |
| Tangible Fixed Assets | 6,588 | 6,920 | 7,435 | 7 % |
| Other Assets | 2,295 | 2,441 | 2,929 | 20 % |
| Liquid Assets | 1,042 | 754 | 1,219 | 62 % |
| Total Assets | 12,659 | 13,401 | 15,100 | 13 % |
| Share Capital | 3,260 | 3,260 | 3,260 | 0 % |
| Reserves and Retained Earnings | 1,853 | 2,162 | 2,915 | 35 % |
| Interest Bearing Liabilities | 3,455 | 3,974 | 4,199 | 6 % |
| Provision for Employee Termination Indemnities | 667 | 634 | 607 | (4%) |
| Other Liabilities | 3,424 | 3,371 | 4,119 | 22 % |
| Total Equity and Liabilities | 12,659 | 13,401 | 15,100 | 13 % |

Türk Telekom Group's consolidated assets reached up to TL 15,100 million in 2010 with an increase of 13% when compared to result achieved in 2009. The contributory causes of this increase are, in descending order; **Tangible Fixed Assets** (the increase in item “network and other devices” outstands), **Other Assets** (there is no outstanding item) and **Liquid Assets** (the increase in item “cash and equivalents” outstands). The increase in the assets is financed mainly by, in descending order; **Reserves and Retained Earnings** and **Other Liabilities** (there is no outstanding item). As of 31st December 2010, the Group's **net debt** declined **by 8%** from TL 3,220 million, the year-end figure of 2009, to TL 2,980 million where **ratio of Net Financial Debt to EBITDA decreased from 74% to 62%**. There is TL 4,199 million total financial debt and TL 1,219 million cash and equivalents.

| Summary Income Statement (million TL) | 2008 | 2009 | 2010 | 2010-2009 Annual Change |
|--|---------|---------|---------|-------------------------------|
| Revenues | 10,195 | 10,568 | 10,852 | 3 % |
| Net Operating Expenses excluding Depreciation and Amortization | (5,788) | (6,213) | (6,018) | (3 %) |
| Net Operating Profit Before Depreciation and Amortization (EBITDA) | 4,407 | 4,356 | 4,835 | 11 % |
| Depreciation and Amortization | (1,632) | (1,557) | (1,524) | (2 %) |
| Operating Profit | 2,775 | 2,798 | 3,311 | 18 % |
| Net Financial Income / (Expense) | (673) | (438) | (184) | (58 %) |
| Corporate Tax | (502) | (680) | (799) | 18 % |
| Minority Interest | 125 | 179 | 122 | (32 %) |
| Net Profit for the Period | 1,723 | 1,860 | 2,451 | 32 % |

Revenues

The Group's consolidated revenue in 2010 reached up to TL 10.9 billion with an increase of 3% compared to 2009. The main drivers of the revenue growth are ADSL business (up by 15.6%, from TL 2,140 million to TL 2,473 million) and the Mobile business (up by 5.7%, from TL 2,504 million to TL 2,646 million).

Net Operating Expenses (Excluding Depreciation and Amortization)

Net operating expenses decreased by 3% to TL 6 billion as a result of effective cost management and lower interconnection expenses.

Net Operating Profit before Depreciation and Amortization (EBITDA)

In 2010, Operating Profit before Interest, Tax, Depreciation and Amortization (EBITDA) increased by 11% to TL 4,835 million compared to 2009 and resulted in a consolidated EBITDA margin of 45%. The fixed line business segment showed 5% growth in EBITDA compared to previous year with an EBITDA margin of 53%. Mobile EBITDA increased five-fold in 2010 compared to previous year and reached up to TL 332 million from TL 55 million where mobile EBITDA margin was realized as 13%.

Depreciation and Amortization

Total depreciation and amortization charges of TL 1,524 million were down by 2% from TL 1,557 million recorded in 2009. The main reason for this decrease was full amortization of some fixed assets in the fixed line business.

Operating Profit

Turk Telekom Group's operating profit for year 2010 improved by 18% to TL 3,311 million thanks to the performance achieved both in fixed line and mobile businesses; with an operating profit margin of 31%, 400 bps higher than 2009 margin.

Net Financial Income / (Expense)

The financial expense was realized as TL 184 million in 2010 compared to TL 438 million recorded in 2009; mainly attributable to FX loss and higher hedging costs.

Corporate Tax

The higher corporate tax charge was recognized in 2010 as a result of the increased underlying profitability of the group.

Net Profit

The net income in 2010 was realized as TL 2,451 million or 0.7002 Kurus. On the other hand, the net income was recorded as TL 1,860 million or 0.5314 Kurus per share in 2009.

| Capital Expenditures (million TL) | 2008 | 2009 | 2010 | 2010-2009 Annual Change |
|---|-------|-------|-------|-------------------------|
| Total Capital Expenditures | 1,756 | 2,470 | 1,733 | (30%) |
| Capital Expenditures (other than 3G License Fees) | 1,756 | 2,020 | 1,733 | (14%) |

Capital Expenditures

The Group invested TL 1.7 billion for fixed line and mobile operations in last year where the total capital expenditures for the last 5 years have reached up to TL 9 million.

RATIO ANALYSIS

The Group has enhanced its entire financial ratios in 2010, where enormous success has been achieved; return on equity 6 bps and return on assets 3 bps increased while total debt to equity 2 bps, net financial debt to EBITDA 12 bps, financial debt to equity 5 bps, financial debt to total debt 3 bps, financial debt to total assets 2 bps and total debt to total assets 1 bps decreased.

| Major Financial Ratios | 2008 | 2009 | 2010 |
|-----------------------------------|------|------|------|
| Return on Equity (%) | 31 | 34 | 40 |
| Return on Assets (%) | 13 | 13 | 16 |
| Total Debt / Equity Ratio (%) | 148 | 147 | 145 |
| Net Financial Debt / EBITDA (%) | 55 | 74 | 62 |
| Financial Debt / Equity (%) | 68 | 73 | 68 |
| Financial Debt / Total Debt (%) | 46 | 50 | 47 |
| Financial Debt / Total Assets (%) | 27 | 30 | 28 |
| Total Debt/ Total Assets (%) | 60 | 60 | 59 |

Outstanding Agenda Items of the Year

Over 6 thousand new recruits

Türk Telekom Group is also among the leader groups of Turkey in recruitment figures; according to the year-end figures of 2010, the Group provides a great contribution to Turkish economy with its 34 thousand 138 employees in terms of employment. Türk Telekom group has recruited over six thousand new employees in 2010.

Dividend distribution made history in Istanbul Stock Exchange

Broken a record with a dividend payment amount of TL 1 billion 490 million made in cash to its shareholders in 2009, Türk Telekom repeated its record in this field also in 2010. Adopting a policy

for distributing total distributable profit to be determined within the framework of CMB (Capital Markets Board) regulations, Türk Telekom, in May 2010, made a gross dividend payment of TL 1 billion 590 million, the total distributable profit of 2009 in cash.

Intending to continue the same policy also in 2011, Türk Telekom's Board of Directors proposed to the Ordinary General Assembly Meeting to be convened on 25th April 2011 for making a dividend payment in cash to its shareholders in an amount of approximately TL 2 billion 244 million, the total distributable profit of 2010 fiscal year. In case the proposal of the Board of Directors related to 2010 dividend will be accepted in the General Meeting, the gross dividend yield per share of Türk Telekom's investors will have been realized as follows in years 2008, 2009 and 2010 respectively; TL 0.43, TL 0.45, TL 0.64.

55% increase in share prices

Whereas ISE 100 index witnessed an increase of 28% in 2010, Türk Telekom's share prices doubled the performance of ISE 100 index and increased by 55% in 2010. Türk Telekom, whose market value risen from TL 16 billion to TL 22.8 billion, has become one of the highest market cap companies in Turkey. Türk Telekom's shares increased by 44% and pleased the investors in 2009 as well.

Great contribution to public finance

Played a pioneering and innovative role in all fields of the sector, Türk Telekom Group companies continued their extensive contribution to public finance while they were still growing in 2010. In 2010, Türk Telekom provided a contribution of totally TL 4,435 million including taxes paid to the state and treasury share.

Türk Telekom is also leader in Social Security premium payments

In 2010, Türk Telekom placed on the top of the list "2009 the Employers Paying the Highest Premiums" prepared by Republic of Turkey Social Security Institution.

Türk Telekom takes firm steps towards becoming a Regional Player

Invitel International, one of the leading data and wholesale capacity providers in Middle and Eastern Europe, joined to Türk Telekom group on October 7,2010. Being one of the major players in its field with 27 thousand kilometers fiber optic network in 16 countries, Invitel International's name was changed as Pantel after acquisition. Türk Telekom, being the "communication bridge" in the region where it has been located when geopolitical aspects considered, has taken an important step related to its future growth projects by adding the Pantel under its umbrella. Turkey with its increased data / broadband traffic in the Middle and Eastern Europe Region by completing the purchasing procedures of Invitel International began to provide data / broadband traffic connecting Middle East and Asian markets to the West Europe and America. This development, on one side, enhances the synergy created by Türk Telekom Group, its current position as a global player in the market also improves. In this initiative, JADI LINK providing establishment of a fiber optic network between Middle East, South Asia and Far East will play a significant role. Brought into being thanks to the co-operation between Türk Telekom, Saudi Telecom Company, Jordan Telecom Group and Syrian Telecommunication Establishment, JADI LINK will provide a safe and strong alternative to the cable systems that already pass through the Mediterranean basin where three big fault lines existed and therefore often suffered because of earthquakes and tremors. Thus, the only alternative of submarine cables pass through Mediterranean and Red Sea will be the terrestrial line. In intercontinental internet, data and voice

transmission JADI LINK will be the second most significant connection corridor to be linked to the USA by submarine fiber optic cable systems starting from Singapore, Japan and India and following the Indian Ocean-Red Sea-Suez Canal-Mediterranean route and finishing in Italy, France, Spain and the UK.

The geographical position of Türk Telekom makes it the first terrestrial fiber optic network operator that is capable of conducting wholesale activities between the Middle East and Europe. In the developments which will position Turkey as the “hub country” in telecom field, Pantel will play a significant strategic role.

Other international services and co-operations

With the project, which was developed together with Hansenet giving service as broadband operator in Germany, launched in Turkey under name “Bizim Aile” (Our Family) and in Germany under “Alice Dünyam” (My Alice World) at the end of October 2010, over 3 million Turkish people living in Germany are targeted. With the campaign offered, the followings are now possible; Hansenet customers can make limitless phone calls with Türk Telekom’s fixed lines, limitless phone calls with Hansenet customers from 3 Türk Telekom fixed lines to be preferred by each Hansenet customer, Access to the Vitamin, educational content in Turkish and online game platform “I Can Football”.

The first product of **Sebit, Akademedia** is in use in **China and Malaysia**. Furthermore, **Sebit Eğitim ve Bilgi Teknolojileri A.Ş** has been occupying a place in American market under brand name **Adaptive Curriculum** since **2007**. The Office of **Sebit** in **Arizona, USA** conducts deployment and implementation activities for **Adaptive Curriculum** besides adaptation of it to the **American** curriculums.

In addition, **Vitamin** has been translated into various languages including **English, Spanish and Arabic**, curriculum alignment studies for many different countries have been completed and it has become an international product by exports to three separate regions. After **Adaptive Curriculum** put on the market in USA, the activities in order to put **Spanish** version into practice in **Middle and South America** have been started. Moreover, it is aimed to put into use **Arabic Vitamin**, which has been launched in **Saudi Arabia** recently, also in other **Arabic** countries.

The first and the only Telecom Company included in ISE Corporate Governance Index

Türk Telekom that was the first telecom company included in Istanbul Stock Exchange Corporate Governance Index in 2009 as a result of the independent evaluation study conducted by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. in accordance with the Corporate Governance Principles of Turkish Capital Markets Board (CMB), registered its success with the average grade of 8.27 for 2010. This high score is a clear indicator evidencing how Türk Telekom is successful in coming into line with CMB’s Corporate Governance Principles and it has implemented necessary policies and measures. This score obtained shows that governance and internal control mechanisms have been established and applied effectively in Türk Telekom, majority of the corporate governance risks have been determined and managed in an active manner, the rights of shareholders and stakeholders are protected fairly, public disclosure and transparency activities conducted at the highest level and the structure and working of the Board of Directors are based on sound foundations.

Thus conducting its activities related to public disclosure and transparency principles diligently even bearing a higher responsibility required in the relevant legislation, Türk Telekom protects the interests of all its shareholders and interest holders without any distinction.

Corporate Governance score, within the framework of the CMB's relevant resolution, is calculated based on the evaluation made under four main titles which are weighted at different levels. These titles are; shareholders, public disclosure and transparency, stakeholders and the board of directors.

7. THE GROUP THAT HAS CREATED HIGHEST VALUE IN COMMUNICATIONS AND INFORMATICS

AVEA: OPINION LEADER OF THE MOBILE COMMUNICATIONS SECTOR

Mobile communications operator **Avea**, that **Türk Telekom** owns 81.37 percent of the shares, has free circulation agreements with already **626** operators in **199** countries, thus, it provides quality communications service for its customers while they are abroad. Having **11 million 600 thousand** subscribers as of end of **2010**, Avea gives service to its subscribers via its 2 thousand 719 employees. The young and innovative mobile communications company of the sector **Avea**, with its new generation network, has a coverage area which is able to serve **96.70 percent** of Turkish population. **Avea** making continuous investments to both technology and infrastructure besides management and human resources always enhances its service quality in this way.

Opinion Leader of the Sector

Avea has brought a significant competition environment in the GSM market since its establishment by raising the bar on quality thanks to the innovative services which respond to the needs and offered to all customer groups. With the vision of "**to be “the most admired and preferred” mobile communications company in Turkey**", **Avea** sees that contribution to create fair competition conditions in Turkey's GSM market among its responsibilities, and with its customer oriented and innovative services it continues to expand its service portfolio offered to its corporate and individual customers.

Near Field Communication (NFC) Technology, the joint project of **Avea** and **Garanti Bankası** has been brought into being on all mobile phones in **2010**. Consequently, a new era started in payment systems owing to new **NFC-enabled SIM cards**. Thanks to this mobile payment solution which's development also supported by **Mastercard** and **Gemalto**, subscribers are able to make their payments quickly and easily with their mobile phones at any point in **Turkey** where contactless payment terminals located and also in thousands of similar points in the world, and they can enjoy opportunities offered by such payment solutions. With this innovation, **Avea** subscribers can make their payments contactless due to **Trink** feature in their mobile phones. Thanks to this new technology, customers can choose between their cards that they prefer to use for payment during shopping. In the cities where **Trink** is used in transportation, new generation **NFC** used in public transportation vehicles (bus, subway, ferryboat, and train) also has function in many different places such as building gateways, stadiums and vending machines.

The other innovative project of **Avea** in **2010** was **Mobil Tahsil (Mobile Health Inspection Kit)**. The study of **University of California Los Angeles / UCLA** and **Dr. Aydoğan Özcan** from the same University, who has created a difference in fields of biotechnology and nanotechnology with his studies, marks an era in the health field and with the participation and contribution of **Avea**, this study will be realized as **Mobile Health Inspection Kit Project**. With **Mobile Health Inspection Kit Project**, malaria, AIDS, tuberculosis and similar diseases can be diagnosed and identified remotely

through some analyses such as blood test conducted via mobile phones in near future, and by this way savings will be made from time and big investments.

Being the opinion leader of **GSM** sector with its innovative applications such as **NFC** and **Mobile Health Inspection Kit**, **Avea** undersigns pioneering projects that create a difference also in social responsibility area. **Avea** considers as an integral part of its basic responsibilities that to participate in long-term and sustainable social responsibility projects which contributes to development of the country and society, and in line with that vision, it also invests in the future of **Turkey** in social terms by realizing various innovative projects within a wide range from education to entrepreneurship and employment besides earthquake response applications.

Avea Quality Registered with Awards

In **2010**, **Avea** won many awards owing to its quality management and business applications. In **Mobile Communication and Telecom** Category in the **2nd International EU Quality Summit** held in Brussels, "**2010 EU Quality Award**" which is granted to brands which set a good example by implementing EU norms in quality and innovation awarded to **Avea**.

Avea also deemed worthy for **SAP Quality Award** in **New Business Application Category** in the **2010 SAP Quality Awards** with its SAP applications.

Avea has been entitled to receive award in "**Human Resources Department of the Year**" category and selected as an honoree in "**Human Resources Team of the Year**" and "**Customer Services of the Year**" categories in the **International Business Awards 2010**, one of the most prestigious awards of international business world.

Within the scope of "**Best Business Awards 2010**", one of the reputable award giving organizations of **UK**, **Avea's Idea of My Life Project** has been entitled to receive award in "**Corporate Social Responsibility**" category.

Another award that **Avea** entitled to receive was "**Best New Product**" with **NFC-Near Field Communication Project**, which has been realized by co-operation made with **Garanti Bankası**, in the **Telecoms World Middle East 2010 Conference**, the largest telecommunications conference of the Middle East.

COMPANY'S IDENTIFICATION

Year of Establishment: 2004

Number of Employees: 2719

Türk Telekom's Share: 81.37 %

www.avea.com.tr

TTNET: EVERYTHING POSSIBLE NOW!

Providing service over **6 million** customers in **81** provinces of **Turkey**, the product portfolio of **TTNET** includes **ADSL/VDSL2 high-speed internet access**, **WiFi wireless internet access** and **TTNET WiFi abroad internet access through co-operation with iPass, G.SHDSL, Metro Ethernet, ATM and Frame Relay** internet access services. **TTNET** owns internet, television and telephone which are three fundamental elements of communications technologies. In this regard **TTNET**, besides **Tivibu** which offers cinema and television in a portable form and new generation TV platform **IPtivibu** that offers high-quality broadcasts via broadband internet connection with a receiver, also offers to its customers the entire range of mobile phone services in cooperation with **Avea**, including **GSM** and **3G**, under the brand name **TTNET Mobil**.

Offering communication technologies of today and future to the customers by taking into account changing communication needs of them, **TTNET** has a leading role in the sector with the corporate

and individual services that it has developed. Started a new communication age under the motto "**Everything is Possible with TTNET**" in **2010**, TTNET has set as its priority goal that to disseminate internet use to every point in **Turkey** as a company which bears the pioneering role for communication technologies in **Turkey** and conducts its activities in line with the goal that to meet communication needs with one-stop solutions. For this purpose **TTNET** initiated an effective advertising campaign, and these commercials explain the significance of internet, most effective communication device of this age, through actors and actresses most admired by Turkish people in an imaginative settlement place, **Mümkünlü Town** representing small cities and towns.

Awards Honored TTNET

In **2010**, **TTNET** has won many awards from many companies and institutions as well as directly from consumers through popular votes. Some of them are:

Best Legal Digital Music Platform in the **14th IFA Awards (Istanbul FM Golden Awards)**. **Most Favored Broadband Internet Service Provider** in the **Kadir Has University 2010 Most Genuine IT Specialists of the Year Awards**. With **TTNET Vitamin**, **Best Commercial Film** in the **Best of 2009 According to Kabataş Society Awards**. **Crystal Apple Award** in **Information Technologies** category, in the **22nd Crystal Apple Advertising Awards Television class** with **8 Mbps ADSL film**. With **8 Mbps Internet The Ones Flying to the Sky**, **3rd rank** in the **category of Best Commercial Production** in the **Crystal Apple Special Rewards**, **3rd rank** in the **category of Corporate Websites** in the **Crystal Apple Digital Class** and **2nd rank** in the **category of On-line Rich Media Adds Category** with **Tivibu interactive banner**. **Most Successful Sponsor** in the poll of "**Most Successful Communications Experts of the Year**" conducted in **Marmara University**. **Golden Spider Web Awards**, **1st rank** in **Telecommunications Category** with **TTNET Corporate Website** and **1st rank** in **Best Channel Use Category** with the campaign "**YES to write in the Dictionary**" edited on **Ekşisözlük**. **Blue Ribbon** in the **Interactive Marketing Summit**.

According to **Directorate of Istanbul Tax Office** and **Boğaziçi Corporate Tax Office**, **TTNET** was the **2nd** taxpayer paid the highest tax for year **2009** with the corporate tax amount it paid in **2010**. Within this context, both **Directorate of Istanbul Tax Office** and **Boğaziçi Corporate Tax Office** awarded **TTNET**.

COMPANY'S IDENTIFICATION

Year of Establishment: 2006

Number of Employees: 457

Türk Telekom's Share: %100

www.ttnet.com.tr

ARGELA: GLOBAL PLAYER IN THE FIELD OF SOFTWARE AND INFORMATICS

Started to its activities in year **2004**, **Argela Yazılım ve Bilişim Teknolojileri A.Ş.** produces innovative technologies and new generation solutions for telecom operators. Having its products presently in use by many operators across the world, **Argela** is giving service to millions of subscribers through its solutions offered to these operators. Owned by **Türk Telekom** on **100 percent** basis, **Argela** provides solutions which some of them are **targeted advertising platform**, **Web TV**, **IPTV**, **network convergence gateway** and **femtocell**.

Competitive Edge to Operators

Through R&D studies conducted by its experienced staff, **Argela** is ahead in developing technologies for future networks besides transforming those technologies into next generation telecommunication solutions that give a competitive edge to operators. The headquarters of **Argela** is located in **Istanbul** and it has research laboratories in **Ankara**. **Türk Telekom**'s global company **Argela** carries out its activities in **Dubai** through **IVEA Software Solutions FZLLC** that it owns **50 percent** of the shares and in **USA** through **Argela USA, Inc.** which is **100 percent** owned. **Balkan countries and Saudi Arabia** are among the priority markets of **Argela** where **India** has the first priority. In addition, it also has customers in **South Africa, South Korea, Oman, Ukraine, Cyprus, Kazakhstan, Moldova and Georgia**.

Awards for Innovativeness

The '**Convergence Gateway**' platform which is hosting **Türk Telekom**'s convergence services have been built is the patented invention of **Argela**. The **WIROFON** service running on this solution, which was put on the market by **Türk Telekom**, received the **CommsMEA "Best Telecom Service of the Year"** award.

With its "**Convergent Wireless Home Communication Center**", **Argela** has won the "**Innovative Product**" award in **Large Companies** category in **2010 Innovation and Creativity Awards of Turkish Electronic Industrialists Association**. This product, besides having **Femtocell** feature creating an extensive coverage area within the buildings for **3G** mobile communication systems without any need for external base stations, also includes **Wireless ADSL Modem, Home Automation, Set-top Box, Voice and Video Communication** features.

COMPANY'S IDENTIFICATION

Year of Establishment: 2004

Number of Employees: 146 (Argela Turkey) + 7 (Argela USA)

Türk Telekom's Share: %100

www.argela.com

ASSISTT: THE FASTEST DEVELOPING CALL CENTER IN 2010

Continued the success of being the **Turkey's** fastest developing call center also in 2010, **AssisTT** is now the largest outsource call center of **Turkey** even it has only a three-year past. Providing service in **7** call center locations throughout Turkey, **AssisTT** has increased the number of its employees by **143 percent** since **2008**, the year that it started its activities, and it has now **4 thousand 200** employees. Giving service to many large companies in Turkey, **AssisTT Rehberlik ve Müşteri Hizmetleri A.Ş.** aims to become leading "**Customer Satisfaction Center**" among the call centers having activity in the **EMEA (Europe, Middle East and Africa) Region**.

In the locations established in **Erzincan** and **Erzurum** in **2009**, **AssisTT** provided employment for totally one thousand and 46 people in **2010** and by this way, continued its growth also in eastern provinces. **AssisTT** aims to recruit **2 thousand and 200** young people until the end of **2011** and continue its contributions to the economy in the region through new investments in these locations.

Giving Voice to and Hear on behalf of Companies

AssisTT's customer portfolio includes leading private and public enterprises of Turkey. Besides its parent company **Türk Telekom** and sister companies **TTNET, Avea and Sebit**, **AssisTT** also offers

service to the following companies: **RTUK** (the Radio and Television Supreme Council), Turkish Airlines, Istanbul Fast Ferries Co. Inc. (IDO), the Ministry of Transportation, the Ministry of Health, E-State, KOSGEB (Small and Medium Industry Development Organization), TÜRKSAT (Turkish Satellite Communications Cable TV & Operations), TCDD (Turkish State Railways) and **Presidency of Religious Affairs**. AssisTT undersigned another enormous success within **2010** by winning the bid “**The Ministry of Health Central Booking System for Hospitals Project**” started as a pilot project in **2009**. This service which will be provided by the **Ministry of Health** for the first time in **Turkey** will also make great contribution in growth of call center sector in **Turkey**. Launched **11818 Rehberlik ve Katma Değerli Hizmetler** (**11818 Directory and Added Value Services**) brand in **February 2010**, AssisTT also provides new directory and added value services under this brand besides “unknown telephone numbers” service.

Investment to Quality and Awards

AssisTT carried out intensive activities in 2010 in order to enhance its service quality and customer satisfaction. In this regard, call center infrastructure has been renewed with state-of-the-art technologies for achieving a stronger and perfect infrastructure in line with the new innovations in the technology. The employees have received training courses of **508 thousand 664** hours in total; given for their development. **AssisTT continued to focus on quality in 2010; it obtained ISO 9001: 2000/2008 Quality Certificate, ISO /IEC 27001:2005 Information Security Certificate, ISO 10002:2006 Customer Satisfaction Management Certificate.**

AssisTT has supported the social responsibility project “**Ben de Varım**” (Count Me In), initiated by the **Republic of Turkey, Ministry of Transportation** in order to involve disabled citizens to the business life, with its “**Home Agent**” application which gives opportunity to **25** disabled people to work from their home. According to **2010** figures, in all locations of **AssisTT**, **107** disabled staff is rendering service.

In **2010**, AssisTT was also granted with some awards both on corporate and employee basis. In “**Contact Center World 2010 Top Ranking Performers**” contest organized among **EMEA Countries** in **London** on **26th June 2010**, AssisTT and THY won third rank and was awarded with bronze medal in “**Best Outsourcing Partnership**” category. AssisTT was also awarded as one of the best worldwide call centers providing outsourcing service within the scope of “**Contact Center World**” awards. Within the framework of this organization, **Mr. Adil ZEMBAT, General Manager of AssisTT** has won first rank in “**Industry Award Champion**” category while **Mr. Serim Yilmaz**, ADSL Department employee in **Ankara** location has won second rank and silver medal in “**Best Customer Service Agent**” category.

COMPANY'S IDENTIFICATION

Year of Establishment: 2007

Number of Employees: 4193

Türk Telekom's Share: %100

www.assistt.com.tr

INNOVA: THE STAR OF THE EMEA REGION IN END-TO-END SOLUTIONS

Innova Bilişim Çözümleri A.Ş., the pioneering company in the field of information solutions and services, offers innovative and state-of-the-art solutions that ensuring high efficiency, cost reduction and competitive advantage and creating value to all organizations in various fields from telecommunications to public sector, from industry and distribution to finance with its deep rooted engineering knowledge. Innova’s solutions in various fields such as electronic payment infrastructures, electronic invoice delivery and collection, enterprise resource planning, operational systems, portals, corporate security and kiosk systems takes the companies that Innova works with a step further to e-business processes thanks to its new business models.

Innova, with its services independent of product and brand, covers entire of the consultancy, design, implementation development, integration, maintenance value chain. The power of Innova in application development and integration playing a key role in the solutions for information technologies puts Innova into a position where it is an outstanding and effective system integrator which is able to create end-to-end solutions and meet exact needs of its customers.

Bringing together different specialization areas within the company, **Innova** generates well managed, quick and effective projects by combining its technological background with its experience in business processes. Having main offices located in the Technology Development Regions in **Istanbul** and **Ankara** besides support offices located in **Izmir**, **Antalya**, **Adana** and **Erzurum**, **Innova** and another **Türk Telekom** Group company, **Argela** have established a company, **IVEA** in **Dubai** in order to enhance operations of the Group in this region.

Among the fastest growing technology companies in **Deloitte Technology Fast50 Turkey 2010 Program** in last 5 years without any interruption, **Innova** is also among the fastest growing companies of **EMEA** Region based on the total performance it showed in last five years in **Deloitte Technology Fast50 EMEA Program**. According to the **Information 500** research, **Innova** is the 3rd fastest growing company of **Turkey** based on the performance it showed in the last three years. **Innova** is now the **Turkey's** first company having **SPICE** certification after accomplishing an audit process "**Software Process Improvement and Capability Determination**" to which it prepared for a period over one year.

COMPANY'S IDENTIFICATION

Year of Establishment: 1999

Number of Employees: 538

Türk Telekom's Share: %100

www.innova.com.tr

SEBIT: CROSSED THE OCEANS IN THE FIELD OF ONLINE EDUCATION

Sebit, the first studies related to it dating back to **1988**, is an education company offering e-education solutions which allow experience of a customized learning process blended with most developed visual content and interaction. **Sebit**'s most widely used e-education solution crossed the borders, **Vitamin** is an online education support service prepared for students and teachers and which is in line with curriculum of the **Ministry of National Education (MEB)**. Reached to millions of students until this date, **Vitamin** has two separate products for primary and secondary education. **Vitamin Öğretmen (Vitamin Teacher)** is online information and sharing platform designed by Sebit for teachers employed at primary and secondary education level. The aim of this portal is to encourage teachers in enhancing their professional competency by following national and international developments.

Vitamin also to the World

There is also Chinese version of **Akademedia** which is the first product of **Sebit: Tianyi**. **Tianyi** which is an educational product prepared for mathematics, physics and chemistry lessons at high school level in line with curriculum applied in China also recommended for secondary education institutions by the **Ministry of National Education of China in March 2000**. In addition, **Tianyi** is also used in **Malaysia** since **2004**.

Sebit's success in abroad is not limited with **China**. **Sebit Eğitim ve Bilgi Teknolojileri A.Ş** has been occupying a place in American market under brand name **Adaptive Curriculum** since **2007**. The

Office of **Sebit** in **Arizona, USA** conducts deployment and implementation activities for **Adaptive Curriculum** besides adaptation of it to the **American** curriculums.

In addition, **Vitamin** has been translated into various languages including **English, Spanish and Arabic**, curriculum alignment studies for many different countries have been completed and it has become an international product by exports to three separate regions. After **Adaptive Curriculum** put on the market in the **USA**, the activities in order to put **Spanish** version into practice in **Middle and South America** have been started. Moreover, it is aimed to put into use **Arabic Vitamin**, which has been launched in **Saudi Arabia** recently, also in other **Arabic** countries.

Best Online Education Solution

In **2009**, **Adaptive Curriculum** entitled to receive awards by various institutions in **USA** and considered as “**Best Online Education Solution**” in the **CODiE** awards which is the **Oscar** of informatics field. On the other hand, in **November 2009**, **Vitamin** received “**Best Content Service**” in the **World Communication Awards**, where all telecom and mobile operators throughout the world and the companies working with them and their services are evaluated. **Sebit** followed its path with new awards also in **2010**. **Vitamin Öğretmen** portal considered as “**Best Educational Website**” by **Informatics Association of Turkey** while it was awarded also in the **Golden Spider Contest**. In addition, **Uğurlu Vitamin (Vitamin Bringing Luck)** succeeded in becoming a finalist in the **World Communication Awards** in the category of **Best New Service**.

COMPANY'S IDENTIFICATION

Year of Establishment: 1988

Number of Employees: 218

Türk Telekom's Share: %100

www.sebit.com.tr

SOBEE: LOCAL PLAYER HAVING UNIVERSAL VALUES

Joined to **Türk Telekom** in **2009**, **Sobee** is a company developing three dimensional, interactive and multi-user games. **Sobee** also conducts projects on real environment modeling and simulation. While **Sobee** brings many new things in this filed, it reaches to hundred thousands of people worldwide through the games it developed. Its competency in this field brought to **Sobee Achievement Award** in **9th Technology Awards of Turkey** in **2010**.

The economic value of computer games industry is **50 billion dollars** in terms of dollar volume; its real size is estimated around **100 billion dollars** with all its stakeholders. It is observed that the market has been dominated by **Korea and China** in the recent years. The size of **Turkish** game industry is around **100 million dollars** including all types; however, pundits in this field say that the potential of the sector is much bigger than this figure. From this point of view, **Sobee** aims to become a local company in this market having universal values that can develop games and services convenient to culture and sociology of the country.

11 x 11 Real Time Game Enjoyment

One of the projects of **Sobee**, realized by the company and reflecting background of it in this field, is **KANAVA**, started in order to develop a three dimensional mapping and monitoring infrastructure in real time, and which was completed in **2005**. **Istanbul Kiyamet Vakti (Istanbul the Time of Judgment)**, three dimensional and multi-user game still online and has hundred of thousand users which is under development yet is also one of the important projects of **Sobee**. The game, whose “**beta version**” was launched in **2006** takes place in historical places of **Istanbul**. **Turkey's** first **MMORPG** game (Massively Multiplayer Online Role Playing Game), **Istanbul**

Kıyamet Vakti was also subject matter of a documentary on Discovery Channel and over **600,000** subscribed users accessed to the game in **2010**.

The world's first **11x11** online football game launched by **Sobee in November 2009, I CAN FOOTBALL** reached over **750** thousand subscribed users in Turkey within a short time. Received the "Best Content Service Award" in the **2010 World Communication Awards** organized in **London**, the game will be **put on the market in Saudi Arabia and Germany in 2011**. **Sobee** will launch Turkey's first child hero **Super Can** game in **2011**. **Super Can** aims to engrain in children's mind issues such as social responsibility and environmental awareness besides targeting entertainment of children under age 13.

COMPANY'S IDENTIFICATION

Year of Establishment: 2001

Number of Employees: 30

Türk Telekom's Share: %100

www.sobee.com.tr

PANTEL: AN INFRASTRUCTURE GIANT CONNECTING CONTINENTS

One of the leader data and wholesale capacity providers in the **Middle and Southeast Europe, Invitel International joined to Türk Telekom on 7th October 2010**. Being one of the major players in its field with **27-kilometer fiber optic network in 16 countries**, **Invitel International**'s name was changed as **Pantel** after acquisition. The geographical position of **Türk Telekom** makes it the first terrestrial fiber optic network operator that is capable of conducting wholesale activities between the **Middle East and Europe**. In the developments which will position **Turkey** as the "**central country**" in telecom field, **Pantel will play a significant strategic role**.

Awards Received in the Past and Responsibility

Before **Pantel, Invitel International** was announced by **Capacity Magazine** as the winner of annual "**Best CEE Wholesale Offering**" award on **November 2008**. The criteria of this award were; quality, performance, scope of the offered product and geographical coverage. The awards focus on the business techniques needed for innovation and success in the rapidly evolving wholesale market. The **Capacity Magazine's Global Wholesale Telecommunications Awards** have been created to recognize market players, who through applying effective techniques and strategies to their wholesale businesses, have established themselves at the forefront of the wholesale telecoms industry.

Supporting sponsorship activities in education, culture, technology and sports fields, **Pantel** considers social responsibility projects as an investment to the future of Turkey instead of a communication strategy. While **Pantel** supports **Turkish Fencing Federation** for sports in **Turkey**, it also sponsors some institutions such as **Tübitak (The Scientific and Technological Research Council of Turkey)**, **İTÜ (Istanbul Technical University)** and **Dante**.

One of the telecom infrastructure giants of the world, **Pantel** also takes into account ethical values in training contents planned for its personnel. It makes investment to its officers and employees within the framework of security, technology, first aid and off-road trainings where latest equipment is used. **Pantel** also organizes conferences, educational seminars and career days for its personnel and university youth.

COMPANY'S IDENTIFICATION

Year of Establishment: 2010

Number of Employees: 242

Türk Telekom's Share: %100

www.pantel.co

ALBTELECOM

ALBTelecom operates in the Albanian market where it provides certain major services such as fixed telephone, ISDN service, Dedicated Internet acc, ADSL, Dial-up, Intranet, and Prepaid Cards, as well as others. ALBTelecom became an independent company on February 5, 1992, and on February 16, 1992, was named "ALBTelecom" with the status of a joint stock company. ALBTelecom is the largest fixed operating telephone company in the country offering services across all urban areas. Meanwhile, it has extended its telecommunication services virtually nationwide through interconnection partnerships with other rural operators.

Türk Telekom is an indirect minor shareholder of ALBTelecom through CETEL.

COMPANY'S IDENTIFICATION

Year of Establishment: 1992

Türk Telekom's Share: 15.2%

www.albtelecom.al

8. TÜRK TELEKOM, THE HIGHEST VALUED AND MOST POPULAR BRAND OF TURKEY IN 2010

Türk Telekom has become the **Turkey's Most Valued Brand** in **2010** as in **2009**, according to the survey conducted by English brand valuation company **Brand Finance**.

Türk Telekom was elected as the "**most popular brand in the telecom industry**" in the "**Digital Lovemark**" **2010** survey conducted every year in Turkey by the research company **Ipsos KMG**. In addition, **Türk Telekom** has been entitled to receive many other reputable awards both in Turkey and in the world.

Türk Telekom had the first rank in the survey, **Turkey's Most Valued Brand** conducted by **English** brand valuation company with a brand value of 1.592 billion dollars in year 2009; the first participation date of **Türk Telekom** in this survey. In **2010** research of **Brand Finance**, **Türk Telekom** continued its success. **Türk Telekom**, whose brand value increased even more, also determined as the **Turkey's Most Valued Brand** with a brand value of **1.692 billion dollars** and kept the leading position. In this success of **Türk Telekom**, besides increasing the number of convergence products and services in voice, data, video and content fields, the continuity of the investments it made in its brand also played a significant role.

In the "**Digital Lovemark**" survey conducted every year by the research company **Ipsos KMG**, **Türk Telekom** was elected as the "**most popular brand in the telecom industry**" with the votes of consumers around **30 percent**. In the research which determines the most favored digital brands by the consumers, **Türk Telekom** achieved the first rank in its category taking 29 percent of the votes also in 2009. Besides preserving its ranking also in this year's survey, **Türk Telekom** increased its votes to a higher rate.

Bringing significant changes and innovations into the lives of all people living in the geographical region it serves, **Türk Telekom** has also become the symbol of change and innovativeness in **Turkey** in addition to its increased brand value owing to strategies and continual investments realized in the last two years.

Awards Rained Down on Türk Telekom, Adding Value to Turkey

Many awards rained down on **Türk Telekom**, which adds value to Turkey, and Group companies from many reputable companies and institutions also in **2010**. The fundamentals of the process which strengthened **Türk Telekom** brand were technologies developed in convergence and communications area, regional steps taken in order to become an effective player in international data market and social responsibility projects. Continued to develop added value products and services besides new investments in line with the needs of its customers, **Türk Telekom** returned to home with over **20** awards received from international contests, where thousands of projects participated, with its many applications and projects related to social responsibility to products and services, from investor relations to communication campaigns in **2010**. Some of these awards are:

LACP Magellan Awards: **Türk Telekom's Türkiye'ye Değer (Value to Turkey)** project, developed in order to bring together all social projects realized by the company throughout Turkey for years under the same roof, was among the “**top 50 communications projects**” in the **Magellan Awards** given by **League of American Communications Professionals**. In such a prestigious contest as **Magellan Awards**, awarding of **Türk Telekom's Türkiye'ye Değer** project with **Silver Medal** in “**Social Relations**” category within the first year after it launched was one of the important successes of **Türk Telekom** in **2010**.

Sabre Awards: **Türk Telekom** awarded with **Bronze Sabre** in **Corporate Video** category in the European Sabre Awards given by **Holmes Group**, USA centered publisher of **Holmes Report**, one of the most reputable publishing of telecom industry. Corporate commercial of **Türk Telekom Group**, shot by world-famous and awarded director **Steve Beck** and whose montage was made by awarded editor **Mustafa Preseva**, succeeded in to be distinguished among record number of applicants around **two thousand** from **28** countries.

World Finance Awards: **Türk Telekom** was entitled to receive award in **three** categories in the **World Finance Awards** organized by **World Finance Magazine**, one of the prominent economy magazines of the world, in order to recognize best telecom companies worldwide. Occupying an important place in the business life with its rooted history dating back 200 years, **World Finance Magazine** awarded **Türk Telekom** in the following categories; **Fully Integrated Telecom Operator of the Year**, **Fixed-Line Operator**, and **Telecom Innovation of the Year**.

SAMENA Awards: **Türk Telekom** has undersigned another international success in the **SAMENA Awards**. **Türk Telekom** was elected as “**Best Fixed-Line Operator of the Year**” in the **SAMENA (South Asia, Middle East and North America Telecommunications Council) Awards**, where the most successful and innovative companies of the sector are recognized in **South Asia, Middle East and North America**.

CommsMea Awards: **CommsMEA Awards**, bringing together prominent communication companies of the **Middle East and Africa** which is followed with excitement by the worldwide telecom sector, elected **Türk Telekom** as “**Best Fixed-Line Operator of the Year**” in **2010**. Thanks to this award, the prestigious award of telecom industry, it is proved that **Türk Telekom** is not only appreciated in Turkey but also in the international scale.

World Communication Awards: Considered as Oscar of communication awards, **World Communication Awards** awarded **Türk Telekom**, in the **Best Content Service** category with **I Can Football** developed by **Sobee**, one of the **Türk Telekom** group companies. **Türk Telekom** was the only Turkish company receiving an award in the ceremony.

Best Business Awards: The project “**Vitamin Donation to Schools**” supporting education and which was realized under the motto “**Making a difference, it is worth for Turkey**”, brought an award from UK. The Project was entitled to receive award in “**Best Innovation**” category in the **Best Business Awards**, the most reputable awards of **UK**. Within the scope of **Vitamin Donation** project implemented in order to bring into schools modern education applications, **9 million** students were reached.

Three Awards from 2010 Turkish Investor Relations Awards: In the **Turkish Investor Relations Awards** organized for the second time by **Thomson Reuters** and **Acclaro**, **Türk Telekom** was entitled to receive three awards. **Türk Telekom** received the second rank in “**Best Communication of Financial Results**” category while **Türk Telekom CEO, Paul Doany** received the third rank in “**Best CEO in Investor Relations**” category and **Türk Telekom’s Head of Capital Markets and Investor Relations, Abdullah Kaya** received the second rank in “**Best Investor Relations Officer**” category. In the survey conducted under audit of **Acclaro** and **Extel**, the efficiency and performance of the companies in the field of investor relations were evaluated independently. **Extel Survey** is prepared by **Thomson Reuters**, a globally leading financial information company, in line with the opinions of investment professionals.

Two Honorary Awards from Euromoney:

Turkey’s leader communications and convergence technologies company, **Türk Telekom** has achieved two awards in the survey “**Best Managed Companies in Central & Eastern Europe**” conducted by **Euromoney**, the international finance magazine. According to the results of the survey, **Türk Telekom** was ranked first in “**Most Accessible Senior Management**” sub-category in the survey as well as receiving the “**Most Improved Management**” second place award in the survey. In the **Euromoney survey**, the companies which are nominated by the analysts of the leading banks and research companies in the regions, where the nominated companies are located, are judged according to the criteria- market strength, profitability, growth potential, quality of management and earnings, and entitled to receive these prestigious awards on the basis of that judgment.

IR Global Rankings (IRGR) Awards - Türk Telekom is the Best of Europe in Investor Relations:

Türk Telekom achieved a significant success across Europe in the **IR Global Rankings (IRGR) Awards**, organized for the **12th** time in **2010**. In the survey that 503 companies from nearly 40 countries of the world evaluated, **Türk Telekom** has received “**Europe’s Best Investor Relations Program**” award in “**Investor’s Choice**” category. In addition, **Head of Capital Markets and Investor Relations Mr. Abdullah Kaya** has received “**Europe’s Best Investor Relations Officer**” award. Winning companies are defined by the direct votes of analysts and capital market professionals, as part of the world’s most comprehensive and prestigious ranking system **IR Global Rankings (IRGR)**.

IR Rankings Awards is held by the leading global investor relations and financial communications firm MZ Consulting. Among the supporters of **IRGR Awards** are **The Bank of New York Mellon, Corporate Asia Network and Bloomberg**. **IRGR Awards** is recognized as the most transparent and independent organizations within the field, due to winners are directly elected by votes of analysts and capital market professionals.

The registrants of **IRGR** are reviewed and ranked on a regional basis. Review methodology and voting results were audited by **KPMG**. The awards are presented to the winners in five different regions consisting of **North America, Europe, Latin America, Asia/Pacific and Africa**.

9. VALUE TO TURKEY, VALUE TO THE WORLD! SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

Türk Telekom and Sustainability:
Adds value today and also to future...

Adding value to the lives of people of today through its innovative technologies and products, **Türk Telekom** also endeavors to make lives of the next generations better. In this age where gigantic problems such as depletion of natural resources, environmental pollution and climate change discussed, it is essential for the companies to reorganize their business processes in accordance with the sustainability principles. **Türk Telekom** introduces sustainable practices into its business processes and offices in line with its goal to leave a habitable environment for the next generations while offering product, service and application options not harm the environment for its sensitive customers. For this purpose, **Türk Telekom** has reduced paper consumption besides carbon emission rates in its business processes, offered environmentally friendly options to its customers and solidified such activities through national and international co-operations.

A first in the world: Less ink consumption with Ecofont

Ecofont, which enables **25 percent** saving in ink consumption thanks to the holes in its structure, has been automatically put into use in the computers of **Türk Telekom** employees. The first telecom company in the world using **Ecofont**, **Türk Telekom** reduces ink consumption by **25 percent** through **Ecofont** font type to be used by all its employees throughout the country. **Türk Telekom** employees are able to take printouts which are prepared with **Calibri**, **Arial** and **Times News Roman** font types in **Ecofont**.

Received the **European Environmental Design Award** in **2010**, **Ecofont** is a simple but effective solution for reducing ink consumption to a minimum level. In this font type, there are small holes within the characters which do not affect reading. By this way, the ink amount which would have been used for filling those holes is saved in the printed documents.

Telepresence helped clearance of distances Made saving by almost 14 thousand flights canceled in 20 months

Telepresence service, which allows image communication between persons that are at far distances as they are in the same room, makes closer **Türk Telekom** to its goal for a habitable environment for the next generations. **Türk Telekom** owing to **Telepresence** that it started to use in one location in Ankara and in **2** locations in **Istanbul** made saving by almost **14 thousand** flights canceled.

The meetings performed by use of technologies that enable image communication between persons as they are in the same room is one of the precautions taken by the environmentally sensitive companies against global warming. Tended towards sustainable practices in its business processes besides developing products and services in line with its goal for leaving a habitable environment for the next generations, **Türk Telekom**, in last **20** months, made **1,754** meetings through **image** communication technology **Telepresence** and by this way, it reduced carbon emission rate besides use of flights and vehicles. **Türk Telekom** convened **1754 meetings** with participation of **14,032** persons since **April 2009** by use of **4 thousand 476 hours** **Telepresence** instead of traveling. Offering high resolution, high definition (HD) image communication

opportunity over **15 mbps speed** internet infrastructure, **Telepresence** technology was commenced by **Türk Telekom** in **April 2009** and it is still in use in three locations.

5 thousand 495 trees saved in 3 years thanks to E-learning technology

Established within **Türk Telekom** to be responsible for “**Technical Training and Development**”, “**Personal Development**”, “**Educational Technologies**” and “**Education Management and Control**” of **Türk Telekom** Group employees, dealers and business partners, **Türk Telekom Academy** carries out its countrywide routine trainings for its employees online for the last **3** years. Organized **726** e-learning activities within the scope of e-learning initiative in this period, **Türk Telekom Academy** saved nearly **5 thousand 495 trees** thanks to these activities.

Within the scope of e-learning initiative accessible by **69 thousand 507** users in total, **1 million 579 thousand 425** person/hour training was given. If these online trainings were carried out in classes, **TL 37 million** would have been spent and paper corresponding to **5 thousand 495** trees would have been consumed. While average class training cost per person is **TL 27**, average e-learning cost per person is **TL 2.5** in **Türk Telekom**. In **Türk Telekom**, published material consisted of average **30** sheets per person is distributed in class trainings; from one tree average **8 thousand 333** A4 sheets are produced. **Türk Telekom Academy** won **First** rank in e-learning category in the **Stars of Informatics Contest** with high saving amount it achieved due to e-learning.

Papers go recycling

7 thousand 668 trees saved every year

Within the scope of sustainability practices, **Türk Telekom** has established recycling systems for the papers used in head office buildings and offices under **12** regional directorates; by this way, average **40 thousand kilogram** paper recycled per month. In **2010**, **7 thousand 668** trees were saved from being chopped down by sending **480** thousand kilogram paper to recycling. The papers collected in the buildings of Istanbul headquarters and Ankara headquarters besides **12** regional directorates of **Türk Telekom** are delivered to the companies authorized by the **Ministry of Environment and Forests**.

Türk Telekom had monthly 2 thousand papers saving thanks to “haTTa Çözüm”

Türk Telekom saves time and paper by follow-up phone failure, line transfer and new connection requests made by its customers over smart phones (**PDA**) within the scope of “**haTTa Çözüm**” application initiated in **2010**. Saved **2 tons** of paper per month owing to this application, **Türk Telekom** targets to increase this figure to **3 tons**.

Site teams receive phone failure, line transfer and new connection requests made by customers over **PDA** devices thanks to “**haTTa Çözüm**” application, and reaches to the related address in shortest time. **Türk Telekom** by the application of “**haTTa Çözüm**” is distributing 620 thousand business orders in monthly average via these smart phones to the fields.

With “**haTTa Çözüm**” application aiming to increase customer satisfaction, **Türk Telekom** takes sustainable steps sensitive to environment besides utilizing time in an effective and efficient manner and providing a balanced workforce distribution. It contributes to efforts spent for a more habitable world with the trees it saved through paper savings.

Carbon emission quantity of Türk Telekom's fleet reduced by 2 thousand 330 tons

In possession of one of **Turkey**'s largest motor vehicle fleets, **Türk Telekom** has decreased the carbon emissions of this fleet by **2 thousand 330 tons** through optimization realized at the beginning of **2010** for the purpose of savings in fuel. In **2010**, **Türk Telekom** has also reduced the number of vehicles in its fleet, and replaced them with new generation cars, as well as saving in distances covered and fuel consumed through the projects implemented. As a result of these measures, savings of **700 tons in fuel** and **13 million kilometers** in distance were realized compared to the same period last year.

Also reducing the number of its vehicles besides replacing its existing vehicles with new generation ones, **Türk Telekom** started **GPS** use in its vehicles and realized significant savings in the fuel consumed. Through all these measures, **Türk Telekom** consumed around **10 percent** less fuel in **2010** compared to **2009**. Furthermore, the distances covered compared to **2009** have also been reduced by **13 percent**. The measures resulted in savings of around **11.7 million** in fuel, and **2 thousand 330 tons** in carbon emissions compared to **2009**.

Eco-friendly phone

Türk Telekom also develops eco-friendly products and services for its eco-sensitive customers. Eco-friendly dect handset put up for sale by **Türk Telekom** provides an alternative for eco-sensitive customers due to materials used during its production and its less energy consumption feature.

In the campaign of **Türk Telekom**, eco-friendly phone **Panasonic KXTG6411** providing a significant saving in energy consumption has been put up for sale in all **Türk Telekom** offices and dealers. **Panasonic KXTG6411** phone also contributes to family budget substantially thanks to significant energy saving during standby time besides non-harmful materials used in its production.

Türk Telekom, the first GeSI member among Turkish companies

Türk Telekom became the first Turkish company to be a member of the nonprofit organization **GeSI (Global e-Sustainability Initiative)** which works to organize subjects relating to eco-friendly and efficient use and saving of energy and e-sustainability. Aiming to leverage the power of the **ICT** (information and communication technologies) industry in order to prevent climate change, **GeSI** members include companies like **Microsoft, British Telecom, HP, Nokia, Erickson, and Cisco**.

Within the activities of the **Energy Efficiency Study Group** under **GeSI**, **Turkey**'s leading communication and convergence technologies company **Türk Telekom** exchanges ideas and know-how with other members for efficient use of energy and IT equipment.

GeSI was established in **Brussels** in **2001**, in line with **European Union's Millennium** objectives. Establishing global partnership with worldwide **ICT** companies for e-sustainability, **GeSI** aims for the collaboration of the leading electronics manufacturers, operators, and regional organizations in the industry.

Türk Telekom and Corporate Social Responsibility: Value to Turkey!

Creating value for **Turkey** with its innovative products and services besides R&D and technological infrastructure investments, **Türk Telekom** solidifies and extends this value through **Corporate Social Responsibility (CSR)** projects.

Providing support for improvement of educational infrastructure, extending access to information and technology throughout **Turkey**, **Türk Telekom CSR** projects target to fill the gap related to numbers in education by use of technologies developed by **Türk Telekom**. **Türk Telekom** also carries out **CSR** activities in the fields of environment and sports.

Started a new initiative in **2010**, **Türk Telekom** has united all its **CSR** projects, which have been carried out all over **Turkey** for years, under the umbrella brand **Value to Turkey**.

Within the scope of **Value to Turkey Meetings** realized in order to launch the umbrella brand created with the motto "**Making a Difference, it is Worth to Turkey**", a number of press conferences were made in **12 Regions of Türk Telekom** in which public informed regarding the projects realized in **81 provinces of Turkey**.

Besides **over 100** local **CSR** projects realized by **Türk Telekom Regional Directorates**, there are gigantic **CSR** projects implemented nationwide such as **Türk Telekom Schools**, **Türk Telekom Internet Houses**, **Türk Telekom Sports Clubs** and **e-Invoice Forests** under umbrella brand "**Value to Turkey**".

After its launching, "**Value to Turkey**" project took its place among top **50** communication projects in **Magellan Awards** of **League of American Communications Professionals – LACP**. The project also entitled to receive **Silver Award** in "**Community Relations**" category.

Striking Figures Achieved in CSR

The figures received in **CSR** projects in **81** provinces realized jointly with **Türk Telekom** and **ten thousands** of volunteer employees are stunning indicators of the value added to the social life in **Turkey**:

- Thanks to **Türk Telekom Schools** project, **76** education buildings have been constructed where **30 thousand** students receive education.
- Thanks to **Türk Telekom Internet Houses** project, **967 Internet Houses** have been opened all over Turkey. Each internet house is visited by 200 persons daily.
- Thanks to **e-Invoice Forests** project, all over Turkey, **e-Invoice Forests** with **100 thousand** trees have been planted.
- **Türk Telekom** provided **Vitamin**, interactive education software to **33 thousand** public schools free of charge. High school version of Vitamin released in **2009** was donated to **5 thousand 950** high schools. Until now, around **9 million** students in total utilized from Vitamin free of charge.

Projects Adding Value to Turkey from Türk Telekom

Türk Telekom Schools: **Türk Telekom** builds education buildings in all corners of Turkey within the scope of **Türk Telekom Schools** project realized with the approach of investment to future. Within the scope of **Türk Telekom Schools** project, one of the biggest CSR projects realized in Turkey in education field, around 30 thousand students receive education in 76 education buildings constructed until now.

In **2008**, **Türk Telekom Schools** were awarded with blue ribbon in **Best Community Relations Program** category by **League of American Communications Professionals (LACP)** besides achievement certificates given in **Best Social Responsibility Program** and **Most Sustainable Communication Program**. The project was elected as "**Most Successful Project in Telecommunications Field**" in the **European Sabre Awards** given by **Holmes Group, USA** centered

publisher of **Holmes Report**, one of the most reputable publishing of telecom industry. In addition it is entitled to receive “**Best Corporate Social Responsibility in Education Field**” in **8th Golden Compass Public Relations Awards** organized by **Turkish Public Relations Association (TÜHİD)** besides being awarded as “**Europe’s Best Social Responsibility Project**” by **International Business Awards**.

Türk Telekom Internet Houses: Realized effective CSR projects in education field in accordance with its “**future cannot be without education and education cannot be without internet**” approach, **Türk Telekom** is building internet houses giving service free of charge all over the country. **967 Türk Telekom Internet Houses** in which average **20** fully equipped computers with broadband internet access are found have been put into service throughout the country until now. Each internet house is visited by 200 persons each day. When the project is completed, **1000** internet houses will be put into service in various districts of **81** provinces.

Vitamin to Children: Developed by **Sebit**, one of the **Türk Telekom** group companies, as interactive education software, **Vitamin** supports extended use of educational technologies in the schools. Contributing to idea of equal opportunity in education, **Vitamin** is being used in **33 thousand** public primary schools and **5 thousand 950** high schools free of charge thanks to **Türk Telekom**. Around **9 million** students utilized from **Vitamin** free of charge until now. Vitamin education set has also been presented as gift to the teachers of public primary schools over the address; www.mebvitamin.com. **Türk Telekom**, with its **Vitamin to Children** project, has been awarded with blue ribbon in **Best Business Development Communication Program** and **Newest Public Relations Product/ Process/ Service** categories by **League of American Communications Professionals (LACP)** in **2008**; in **2010**, it is entitled to receive “**Best Innovation**” award in the **Best Business Awards**.

e-Invoice Forests: Implemented in order to leave our children a habitable environment and encourage transition to e-billing, **E-Invoice Forests** project has been extended with the support of its customers who are using electronic billing instead of paper invoices. In **E-Invoice Forests** spreading all over the country in which **100** thousand trees planted, **17** different types of trees have been preferred by considering the seasonal differences in **Turkey**.

While **E- Invoice Forests** project considered as “**Best Corporate Communication**” by **Chartered Institute of Public Relations (CIPR)**, it is elected as “**Most Eco-Friendly Corporate Social Responsibility Project**” in **8th Golden Compass Public Relations Awards** organized by **Turkish Public Relations Association**. Received the “**Most Successful Environment Project**” award granted by **International Business Awards**, the project was elected as “**Best Public Relations Project**” by **International Public Relations Association (IPRA)**.

Group companies are active in CSR, too

Also, companies within **Türk Telekom Group** actively participates CSR projects. Participating and providing significant contributions to the sustainability of the central projects of **Türk Telekom**, group companies act fully sharing **CSR** consciousness also in the projects they developed and undersign important projects in this field. For example, besides **Sebit** making a substantial contribution to education with **Vitamin**, **AssisTT** conducts activities for involving disabled people to the business life where **Sobee** encourages activities engraining in the minds of children environmental awareness. **Avea** makes name due to its versatile CSR projects. We can list some these activities and projects as follows: One of **Türk Telekom Group** companies, **AssisTT** supported the social responsibility project “**Count Me In**” started by **the Republic of Turkey, Ministry of Transportation** in order to involve disabled citizens to the business life through its “**Home Agent**” practice which gives opportunity to **25** disabled persons to work from their home.

In all locations of **AssisTT**, **107** disabled employees render service according to **2010** data. Mentioned from its name both in **Turkey** and in the world in the field of game programming, **Sobee** used themes to be helpful in engraining in the minds of children environmental awareness and in-game training methods for its **Süper Can** character and game. Targeted a high user number, **Süper Can** will also contribute to growing of generations sensitive to the environment. Being the opinion leader of GSM industry, **Avea** also undersigns pioneering and creating a difference in CSR field. Realizing innovative projects in a wide range of fields from education to entrepreneurship and employment besides earthquake response practices, **Avea** also makes social investments to the future of Turkey.

Türk Telekom Creates Value for Turkey also in Sports

From the standing point of the impact of the sports in improving communication skills of young people with their social circle, **Türk Telekom** has supported training of **28 thousand** young sportspeople in last **10** years thanks to the investments it made. Some of these young sportspeople were also invited to **national teams** and represented our company in international platforms and have become source of pride due to the grades they achieved at different levels. **Supporting more than 4 thousand sportspeople in 24 different branches from basketball to fencing, from athleticism to skiing and tennis via its 41 sports clubs located in various provinces**, **Türk Telekom** is the largest company structure in this field which provides direct resources and contributes to the Turkish sports. This fact explains clearly that investment to sports is one of the most significant social values of **Türk Telekom**.

Started this journey in order to include universal values of sports inside its brand, extension of these values in **Turkey** and give hand training of worldwide known sportspeople who will represent **Turkey** with success, **Türk Telekom** has made many sports investments within this framework.

"Contribution to Turkish Sports" Award to Türk Telekom

Supporting four big football teams, sports schools besides many sports federations, professional and amateur sports teams as well as continuing its contributions to sports for modernization of sports facilities, **Türk Telekom** has been entitled to receive "**Contribution to Turkish Sports**" award given by **the Prime Ministry, General Directorate of Youth and Sport**. **Türk Telekom** also has its own clubs in different sports branches; such as A Group Males in **Beko Basketball League**, **Young Telekom Basketball Team** in **Turkish Second Basketball League**, **Türk Telekom Football Team** in **Spor Toto Second League Red Group**, **Türk Telekom Volleyball Team**.

Türk Telekom supports some **Anatolian** sports halls and stadiums by providing technical equipment or advertisement investments and provides resources for improving conditions of stadiums in various provinces. Some of the supported sports facilities were; **Ankara Police Department Riot Police Sports Hall**, **Konyaspor Stadium**, **Nallıhan Sports Hall**, **Niğde Sports Hall**, **Nesibe Aydin Okulları Sports Hall**, **Gazi University Sports Hall** and **Hacettepe Sports Hall**.

International successes achieved by amateur clubs

Türk Telekom Amateur Sports Clubs achieved many international successes in **2010**. These successes are listed as follows:

Erzurum TT Sports Club; got the fifth rank as the team in European Cross League, Youth category in athleticism while **Hakan Çeçen** from the same team was the runner-up in the Cross Team 2010 European Cross Championship.

Zonguldak Türk Telekom Sports Club; İrem Civan, from boxing team, was the second runner-up in 2010 Young Women's European Boxing Championship.

Trabzon Türk Telekom Sports Club; in 2010, Fencing Team has achieved many degrees both as team and as individuals. Women's Epee Team consisted of **Aybuke Öztürkmen, Seda Kavanoz, Aleyna Öztürk** and **Yaren Kavanoz** from **Trabzon Türk Telekom Sports Club** participated to 7th International Children's Cup and became champion as team besides the second rank received in International Kemal Coşkunöz Tournament. Fencing sportswoman **Aleyna Öztürk**, from **Trabzon Türk Telekom Sports Club**, became the champion of 7th International Children's Cup Junior Girls Championship. **Aybuke Öztürkmen** has become the champion both in 2010 VII. International Children's Cup Junior Girls Epee and in 2010 VII. International Children's Cup Little Ladies categories. In addition, **Öztürkmen** got the fifth rank in the International Galaktion Chikovani Tournament. **Büşra Varol**, also from **Trabzon Türk Telekom Sports Club** who is also a candidate for 2012 Olympics team, became the second runner-up in the International Kemal Coşkunöz Tournament, and her team became the runner-up in the same tournament. Furthermore, **Varol** became the champion of 2010 International Galaktion Chikovani Tournament. **Remziye Varol** got the twelfth rank in the International Kemal Coşkunöz Tournament, and her team became the runner-up in the same tournament. Besides these, **Remziye Varol** became the second runner-up in 2010 International Galaktion Chikovani Tournament. **Seda Kavanoz** was in the sixth ranking in 2010 VII. International Children's Cup Junior Girls while became the champion of 2010 VII. International Children's Cup Junior Girls. **Yaren Kavanoz** was in the sixth ranking in 2010 VII. International Children's Cup. In addition Kavanoz, also became the champion of 2010 VII. International Children's Cup Junior Girls.

Artvin Türk Telekom Sports Club; İşil Gençtürk, from Judo Team, was the fifth finisher of the 17th U21 European Cup. **Hülya Yıldız**, from the same club, won the fifth rank in the U21 EJU European Cup besides being the third finisher of the 17th U21 European Cup. Another sportswoman from the same club, Güner Yalçın won the bronze in the 17th U21 European Judo Cup.

Erzurum Türk Telekom Sports Club; Nurcan Yılmaz, from Judo Team, has achieved a great success by becoming the winner of European Cup and getting the seventh rank in the World Judo Cup in repesage competitions in Adults category.

Konya Türk Telekom Sports Club; Ayşenur Yılmaz, from Taekwondo Team, represented Turkey in 2010 Mexico World Taekwondo Championship in 63 kilograms, however she was injured.

Eskişehir Türk Telekom Sports Club; Oğuzhan Kahraman, from swimming team, became the runner-up of the breaststroke category in the First International Bursa Swimming Championship.

Eskişehir Türk Telekom Sports Club; Ömercan Demir, from swimming team, entered the Top 10 list of his age group in 2010 Olympic Strokes.

Muğla Türk Telekom Sports Club; Bengisu Ömeroğlu, from swimming team, got the fifth rank in 2010 International Vergina Cup. **Hande Başlıhoş** who competed in the same cup got the sixth rank.

Sivas Türk Telekom Sports Club; Emrullah Gül, from Wushu Team, won the bronze in 2010 European Championship in Adults while he received 4 gold in 2010 Caucasus Cup. **Furkan Şener**, from Wushu Team of **Sivas Türk Telekom Sports Club**, won the gold in 2010 European Championship and fifth rank in 2010 World Championship.

10. ADD VALUE TO LIFE: NEW PRODUCTS AND SERVICES, SPONSORSHIPS

Tivibu Brought Film and TV Joy to the PC

The first service of **TTNet** in **2010**, the year that it planned to go beyond just being an internet service provider, was **Tivibu** that enables watching television and cinema films over internet. Brought 61 different television channels and a rich DVD film archive onto the internet at the first hand through monthly subscription system, **TTNet** provides this service through simple software that is downloaded onto the computer. Using **Microsoft Silverlight** technology for streaming broadcasts, in **Tivibu's Standard Package** has pausing live broadcast, resume and rewind functions. Furthermore, viewers are offered to watch any program they could not watch or they want to watch again for a period of one week. **Standard Plus Package** adds on that feature popular TV series, documentaries and foreign and domestic film DVD archive.

IPTV: More than TV with High Quality Images and Rich Options

The infrastructure works of **IPTV**, which will offer viewers channel diversity and content options that will be essential for them, were completed fully in **2010**. Soft launch of it made in Istanbul, Ankara and Izmir on **4th October 2010**, and **IPTV** put up for sale in **TT Offices in November 2010**. As end of **2010**, there are 150 points in 30 provinces for **IPTV** installation.

IPtivibu, as like **Tivibu**, includes some technological features such as pausing live broadcast, rewind, watching films whenever viewers like, stop functions that will offer a fresh watching experience. As like **Tivibu**, **TTNet** subscribers may enjoy this new application. **IPtivibu** offers three innovations in television viewing experience. Users can watch any film, TV series or programs included in a wide archive instead of the program offered to them in the broadcast streaming thanks to the optional viewing experience. **Choose-View** service offers all together that popular domestic and foreign films, popular TV series, documentaries, children's and lifestyle-entertainment programs. In **Hire-View** service, awarded domestic and foreign films can be viewed by paying a certain charge. Thanks to **IPtivibu** the followings are also possible while you are watching television; taking immediate football match results, learning weather forecasts, messaging over **Twitter**, ordering meals, viewing photo albums through **Flicker** application, viewing departure and arrival times of flights in the airports, pharmacies on duty.

Our Family / My Alice World

The Project, launched at the end of October 2010 in Turkey under name "Our Family" and in Germany under name "My Alice World" and which was developed jointly with Hansenet providing service in Germany as a broadband operator, targets over 3 million Turkish people living in Germany. Within the scope of this campaign, Hansenet customers are allowed to make limitless phone calls with Türk Telekom fixed lines, to call Hansenet customers without limit from 3 Türk Telekom fixed lines to be preferred by each Hansenet customer, to access to Vitamin, Turkish education content, and online game platform "I Can Football" free of charge.

1 Million Transaction over Online Service Center

Carrying out online transactions without leaving their homes or business places has become an essential habit for active internet users. In **Türk Telekom Online Service Center**, developed in line with that fact, **341 thousand** subscribed customers can learn their updated invoice and debt information, and can send their requests for transition to e-invoice application thanks to their free membership. Furthermore, in **Online Service Center**, many important transactions including new product order, tariff/package change, line transfer and failure reporting can be made easily.

According to the **2010 year-end report**, **1 million 276 thousand 771** transactions were processed successfully over **Online Service Center**. **Türk Telekom** also had an important financial advantage thanks to this. When compared to the offices, the financial advantage of **Online Service Center** for only one year is around **35 million**, compared to call centers it is around **24 million** Liras. Besides these, carrying out transactions over internet easily and without encountering any problem, also increases service quality and thus, customer satisfaction of **Türk Telekom**.

e-Invoice Saved Millions of Trees

One of the measures that can be taken against global warming and depletion of earth's resources is to give priority to e-billing instead of printed paper invoices. This system which is applied all over the world is also applied successfully by **Türk Telekom** and the number of customers preferring **e-invoice** is increasing day by day. In **e-invoice** application, average **2 million e-invoices** are delivered; owing to this fact, monthly **2 million** and annually **24 million** Liras are saved. On the other hand, millions of trees can be saved within one year thanks to the paper savings. **Türk Telekom made some improvements in the e-invoice application within the year in order to allow its customers to use their time more effectively.** Thanks to the successful e-invoice delivery, the subscribers are able to review their detailed invoices as they wish.

Customer Satisfaction on Facebook and Twitter

Around 1 billion people in the world use social media sites actively. Taking their place in this important "**online world**" brings to the companies much more than just gaining new customers or increasing their sale profits. Gaining customer loyalty, improving existing image and achieving competitive advantage over other companies in the same sector are possible due to immediate responses upon continuous content flow, feedbacks and possible requests. Thanks to its pages on **Facebook** and **Twitter**, which are also among the most preferred social media networks in Turkey as in the world, **Türk Telekom** can contact with its customers in a more sincere manner, makes updated announcements and provides immediate solutions to potential problems. All these significant activities increase quality of customer relations of **Türk Telekom** and positive feedbacks resounds in the social media.

444 TPTN for International and Wholesale Customers

In **2010**, **Türk Telekom** established **Service Delivery Unit** under **Customer Relations Department / Service Delivery Directorate** for wholesale customers. In **2009**, the first step was taken by offering **Call Center** service for international customers, and this service also extended to wholesale customers within **2010**. Established for this purpose, **444 TPTN Call Center** started to give service both to international and wholesale customers with a sector based service concept and in coordination with **Türk Telekom** offices. **444 TPTN** fills an important gap thanks to its mission aiming to fulfill its obligations towards wholesale customers under private operate agreements besides its services in order to implement and follow-up mandatory arrangements requested by **BTK (the Information Technologies and Communications Authority)**. For the time being, almost **80** international and wholesale customers are considered within this scope. Thanks to these developments, **Türk Telekom** customers are provided with a way to benefit from the necessary service from the most accurate place and in the desired way over **Türk Telekom Offices and Call Center**.

107 Concept Offices Opened

A new concept started to apply in **Türk Telekom** offices in order to give service to customers in nicer, more practical and comfortable rooms. It is planned to increase the number of concept

offices to 154 in 2011 which was **107** in 2010. In the concept offices, where it has been observed that customer and employee satisfaction will be increased, customers feel at home.

A First: Customer Experience Field

Customer Experience Field project was commenced with a pilot application in **Bakırköy TT in 2010** in order to offer products to **Türk Telekom** customers in nicer and more attractive manner in marketing and sales field besides enabling customers to experience products. It is targeted to open **Customer Experience Fields** in at least **60 TT offices in 2011** as **Customer Experience Fields** requested by many TT offices.

Queue System will Fasten Reporting Services

Upgrading of automatic queuing machines will enable obtaining detailed reports related to the transactions carried out in **TT** offices and fasten the services given to the customers. The studies related to this system that will enable to take reports in different categories such as office name, customer number, transaction date, transaction type, transaction time and waiting time have started.

Electronic Direction Signs

In 2011, **Türk Telekom** will provide service to their customers with nice-looking, clear cut and electronically controlled **Electronic Direction Signs**. Functioning by digital imaging in order to facilitate follow-up of customers to their number in the line and transactions, the signs will ginge up **Türk Telekom** offices with their appearance.

Remote Content Delivery over Digital Signage

Digital Signage is a software and hardware system which enables remote content delivery to the electronically controlled displays. Its use purposes are; providing information, entertainment or advertisement. The necessary studies are started in order to deploy **Digital Signage** displays in **154 TT in 2011** where this figure was **78 TT in 2010**.

Virtual Exchange is on the Service

TT Virtual Exchange product has been put up for sale as a voice service which provides all features that a developed private automatic branch exchange (**PABX**) can provide over **Türk Telekom** data access network.

Discounted Asymmetric Data Center Access for ISS

Asymmetric Data Center Access service started for **ISS (Internet Service Providers)** where high access capacities are needed in **2010**. With **Asymmetric Data Center Access** service, **Türk Telekom** supports the development of hosting idea in Turkey, and provides a competitive **Asymmetric Data Center Access Tariff Package** for ISS that provide data center service without outsourcing. New **Asymmetric Data Center Access**, provides asymmetric service having **7/1 upload/download** ratio differing from **Metro Ethernet** service with **1/1 upload/download** ratio for **ISS Data Centers** needing high upload capacities. **Türk Telekom** offers this service with **30 percent** discount which provides a significant price advantage to **ISS**.

Flexible Packages in Affordable Prices in Corporate e-Mail

e-mail Hosting Tariff Offer; was an additional study besides the existing tariffs offered by **Türk Telekom** in order to provide e-mail services in packages which are in line with the needs of corporate customers. Within e-mail tariff studies, e-mail hosting processes have been created and **e-mail Hosting and Web Site Hosting Agreement** has been drafted. Within the scope of **e-mail Hosting** tariff study, “**affordable and flexible packages**” have been prepared for customers requiring high e-mail volumes. As capacity quantity is allocated to the users in the desired rates and to determine quota of each user dependable to the customer, this situation provides flexibility in use for the customer.

Create Your Package in TT Server

With the establishment of **Türk Telekom Data Center Gayrettepe, Server Hosting Tariff** study was completed by taking into account new costs and flexibility offered by the latest technology. Within the scope of this study, **Data Center Subscription Outline Agreement** has been drafted and processes required for increasing customer satisfaction were organized. **Server Hosting Gayrettepe** tariffs provide the customer with a chance to create his/her package besides pricing flexibility based on energy use.

For low Cost, TT Server Hiring Service

Server Hiring service of **Türk Telekom** has been offered as an optimal alternative for companies that do not want to bear high initial investment cost for servers and prefer more manageable operational costs. **Server Hiring** service includes server hiring, hosting of hired servers and maintenance-support services provided by **Türk Telekom** and which will add value to **Türk Telekom** customers.

Türk Telekom is over the Clouds with BULUTT

TT Bulutt is the technology which enables independent and isolated hosting of multiple operating systems on a hardware-based server. In **TT Bulutt**, each virtual server runs independently and as if it is an allocated server. It is an ideal solution for customers who want to use servers more efficiently and prefer virtualization service implemented quickly without bearing high initial investment cost for servers. Various package options in line with the customer requirements are prepared in **TT Bulutt**. Especially pro packages give opportunity to customers to create their virtual data centers.

TT Storage: from Gigabyte to Terabyte

TT Storage service meets the data space need of customers from **1 Gigabyte** level to **Terabyte** level, based on the desired RAID structure and disc type over **Türk Telekom Data Center**; by use of this service customers can maintain their data and access them immediately. **TT Storage** provides a useful service for companies not having a sufficient storage space in their servers that are in need of an additional storage area besides companies that require big storage areas for camera or database applications.

Data is Secured with TT Back Up Service

TT Back Up Service includes automatic copying of data included in the servers onto the tapes or discs according to the request on daily, weekly or monthly periods, and backing up this data back-up devices of **Türk Telekom** in the latest technology. Back-up data maintained for a period that

the customer specified. **TT Back Up service** is a proper service for the customers that want to back up their data which they do not want to lose due to an error in their server or disc damage.

Uninterrupted e-Mail with TT ETRN

ETRN is the service provided over servers identified as the second address in incoming e-mail system of the customer in order to prevent returning or missing of incoming e-mails due to any failure in the system. **ETRN** is an ideal solution for enterprises that has an intensive e-mail traffic, conduct all their businesses through e-mails and hosting their mail servers inside the company, and cannot dare to lost of time-out e-mails that received and give uninterrupted 7/24 service.

Wi-Fi Hotspot Number is 8 Thousand Now

Türk Telekom continued to extend **Wireless Local Area Network (Wi-Fi Service)** in **2010**. With new **Wi-Fi** hotspot installations, the coverage area of **WLAN** network has been extended over **NMS** systems in **POP** centers in five different centers located in **Ankara, İstanbul (European and Anatolian Sides), Izmir** and **Adana** which were upgraded in **2009**. In **2010**, **Wi-Fi** hotspot feature adapted to **700** coin cabinets and they were put into service after integrated with existing **Wireless Local Area Network (WLAN)**. In addition, a project study was conducted in order to provide **Wi-Fi** service over **3G** within the scope of extending **Wi-Fi** coverage area. **Wi-Fi** hotspots were installed in external line ferries of **IDO (Adnan Menderes Ferryboat, Orhan Gazi Ferryboat, Kanuni Sultan Süleyman Ferryboat, Turgut Özal Ferryboat, Yavuz Sultan Selim Ferryboat, Osman Gazi Ferryboat)** under the agreement executed with **Istanbul Fast Ferries Co. Inc. (IDO)**, as **backhaul**, in 6 ferryboats **Wi-Fi** service started over **3G** network. Thanks to the investments made, the number of **Wi-Fi** hotspots increased to **8 thousand** as of year-end figures of **2010**.

Wireless Telephone System Reaches to the Points not Reachable

Wireless Telephone System (WTS) is used to give voice service in places where network infrastructure cannot be installed or not sufficient due to geographical conditions. In this system, subscribers are connected to the exchange through radio communication. The **Information Technology and Communication Authority (BTK)** has taken a decision in order to narrow frequency bands in which WTS is used until **31st December 2012**, and after that date, to empty these bands. In the light of this development, in order to provide new technology solutions which are alternatives of WTS, formal application to **BTK** has been made for allocation of technologically neutral **1890-1920 MHz** frequency bands which will be outside the cities to **Türk Telekom**. Studies are conducted on a **TD-SCDMA** or **OFDMA** based solution; these technologies allow voice and broadband internet access within the mentioned frequency band. As of end of November **2010**, installed line capacity was **41 thousand 364** subscribers in total in 503 base stations in 48 provinces.

NAKED DSL Started

Disconnecting fixed line and broadband internet from each other, **NAKED DSL** service, which allows access of subscribers to broadband internet without owning a **PSTN** line, was started in **2010**. New subscribers for internet services can provide their internet connection through **NAKED DSL** without a need for **PSTN** subscription, also existing **PSTN + ADSL** subscribers can cancel their **PSTN** subscription and transfer to **NAKED DSL** subscription uninterruptedly. With **NAKED DSL**, it is aimed to provide benefits of convergence technologies and offer price advantage. The advantages offered to operators are; increased competition, increasing importance of voice over IP service and increasing earnings.

Daily Internet for Anyone Who Wants!

Türk Telekom underscored an outstanding innovation with **Daily Internet Package** started in 2010 which was provided to internet service providers on wholesale basis and to the end users through them. Thanks to this package users can connect to internet in any day they prefer and make payment based on the days they used internet. The campaign aims to increase internet use in the households and meet everyone with internet.

Anyone Who Wants can Suspend His/Her Line Subscription!

Türk Telekom offered another convenience for the users in internet services in **2010**. In **Line Suspending** service, **Türk Telekom** can provide short-term line suspending service to the **ADSL**, **ADSL2+**, **VDSL2** customers of the **ISS** that receiving **ADSL and VDSL2** services based on **ADSL**, **ADSL2+**, **VDSL2** technologies via **Buy-Sell and Data Flow Access** models. Thanks to this service, ISS customers that will not use internet access service that have been taking for a certain period are get rid of monthly fees for that period without any need for canceling their subscriptions.

CAMPAIGNS

Interconnection Discount for Fixed Line Operators

Türk Telekom carried out a discount campaign to all fixed-line operators for the existing interconnection fees (in-site and off-site) in May and December 2010. Another campaign covering fixed-line operators was discounts made on interconnection commencement and termination fees applicable to calls commenced from and terminated in **Türk Telekom** exchanges. This campaign was made in **Home Advantage** tariff valid between **11th August 2010** and **11th September 2010** and restricted with subscribers getting type A service from fixed-line operators.

Metro Ethernet Campaign for ISS

Türk Telekom has conducted a metro Ethernet campaign for **ISS** that are **Data Center** operators. Thanks to this campaign started in **2010**, free internet circuit which corresponds to the capacity purchased for the internet traffic transferred from foreign countries has been allocated to **ISS** operating Data Centers, which are getting **2Gbps** and/ or **5Gbps** capacity **Metro Ethernet Internet** circuit to the **Data Center** from standard tariff price and using **ME** internet circuit in the same capacity.

4 x 155Mbps for the price of 622Mbps

Within the scope of this campaign started for the purpose of stimulating service use by giving operators and end users the opportunity of utilizing from electronic communication, network, infrastructure and services for a reasonable fee; the pricing of circuit groups belong to the same customer and constituted from **4 pieces 155Mbps** speed leased circuits and functioning/ to be installed between same end addresses has been included to the **622Mbps** tariff at the same level within the commitment term provided that the customer gives a subscription commitment for two years for all circuits constituting the circuit group.

40 Percent Discount in SSG NN ME

For the purpose of decreasing **Internet Service Providers (ISS)**, **40 percent** discount campaign was made in **ME int** circuits purchased after **NN ME** and **ISS SSG** required for transfer of traffic purchased from **TT SSG** to the premises of ISS.

ME INT Allocation for Gaining Back the Traffic Flee Abroad Before

For the purposes of decreasing **Internet Service Providers (ISS)** operating data centers and gaining back the internet traffic flee abroad before, free **ME int. Circuits** have been allocated to

ISS which have **2Gb** and **5Gb ME** circuits, given to data centers, for the internet traffic they have already succeeded in returning/ will return in the future inside the country.

Speed Increase in Leased Lines

In “**Leased Lines**” services provided over **TDM** network by **Türk Telekom**, circuit speeds have been doubled without changing the fees for them provided that a **18 month** subscription commitment is given. In case of **24 months** commitment, hardware to be used by customers were supplied free of charge by **Türk Telekom**.

For 24 Months TTVPN Subscription, Device is Free

A campaign providing free use of the device within the agreement term by **TTVPN** subscribers, on the condition that giving a subscription commitment for 24 months, was made and by gaining new subscribers the transfer of subscribers from alternative operators was targeted. Again on the condition that giving a subscription commitment for **24 months**, a campaign providing 50 percent discount for the first 6 months was made for **TTVPN** subscribers. In addition, **TTVPN** product's sale model changed as intercity/inner-city tariffs.

For the purpose of decreasing costs of customers having business places spread over various locations, **Tele Conference Room - Telepresence** product was offered as **TTVPN** device.

Product Campaigns

Microsoft Products Campaign

‘**Windows 7 Home Premium**’ and ‘**Office Home and Student 2010**’ products are also included to the ‘**Microsoft Office Home and Business 2010**’ campaign, started on October 2010 which is paid in 24 or 36 monthly installments reflected to the **Türk Telekom** invoices, due to huge demands and requests received from customers. The expiry date of campaign changed from **31st December 2010** to **30th June 2011** again upon huge demands and requests received from customers.

Wirofon - Enabled Mobile Phone Campaign

Wirofon -Enabled Samsung Omnia Mobile Phone and iPod Touch campaigns were made in 2010 in order to develop customer loyalty. **Wirofon-Enabled LG Eigen Mobile Phone Campaign** started at the end of **2009** also continued in **2010**. On the other hand, Dect campaign organized in **2009** continued in 2010.

3G Mobile Internet

Within the scope of TTNET 3G Mobile internet campaigns, 3 different computer purchasing campaigns enabling payments in 24 or 36 monthly installments and dependable to 3G modem purchase were conducted.

Together with launching of TTNET Mobile, Huawei Android U8230 Mobile Phone campaign was organized. In addition, Nokia's sole netbook model put up for sale only in TT/TTNET channel under a special agreement.

Sports Sponsorships in 2010

70 percent of the world’s population is interested with sports and the expenditures of sports industry for TV, tickets, advertising and sponsorships is around **250 billion dollars** on annual basis. We are living a period where traditional media uses are loosing value while sponsorships are increasing every passing day. The volume of sponsorships in the world is estimated as **45 billion US Dollars** in **2010** while it was **23 billion US Dollars** in **2001**. And, the fact that **90 percent** of such

sponsorships are for sports. Many brands both in the world and in **Turkey** try to reach their customers and target audiences by benefiting from sports and their sponsorships for sports. Also, **Türk Telekom** continues its contributions in Turkish sports through sports investments, sponsorships and social responsibility projects in order to disseminate sports consciousness and culture besides improve Turkey's position in the international arena.

Special Co-Operations with Football Giants

Since 2008, **Türk Telekom** has been providing sponsorships to four big football teams of the country, **GS (Galatasaray)**, **FB (Fenerbahçe)**, **TS (Trabzonspor)** and **BJK (Beşiktaş)** due to active role of Turkish football which add value to social life via its entire dynamics and becoming Turkey a more well-known country in foreign countries.

Within this framework, great contribution were provided to **Türk Telekom** brand thanks to the **Türk Telekom Arena** name given to the new constructed stadium of **Galatasaray Sports Club** in **Seyrantepe**, establishment of **Türk Telekom Tribune in Fenerbahçe Şükrü Saracoğlu Stadium** and opening of **Ankara Gölbaşı FB Türk Telekom Facilities**. Furthermore, the group company **Avea** has increased the number of its customers and earnings besides becoming a brand used by football fans owing to the support it provided to 4 big football teams as a virtual operator and by bringing together **GSMobile**, **Trabzoncell**, **Fenercell**, **Kartalcell** brands supplied over its strong infrastructure with football supporters through special tariffs and services. Another group company, **TTNet** has carried one step forward the support provided to supports with its project based on revenue sharing model and started to offer a special internet service to the fans of these clubs. Now, fans connect to internet over **KartaINET**, **FenerNET**, **GSNET** and **TrabzonNET** lines.

Türk Telekom gave its name to the tournament helping born of stars

The tournament that has helped many successful basketball players in Turkey to gain international experience is organized under **Türk Telekom** sponsorship: **Türk Telekom International U16 Basketball Tournament for Men**. U16 national teams of European countries are participating to this tournament, which was contributed also training of successful basketball players such as **Hidayet Türkoğlu** and **Kerem Tunçeri**. This organization held in co-operation with **Turkish Basketball Federation** is the Europe's biggest and most prestigious preparation tournament in age group 16. In addition, Tournament contributes to introduction of **Turkey**. Name sponsorship of **Türk Telekom** will also continue in years **2011**, **2012** and **2013**. After Turkey successfully hosted the **World Basketball Championship** in **2010**, **FIBA European Technical Committee** has accredited **Türk Telekom International U16 Basketball Tournament for Men**, organized with success for long years, for practical exam of **FIBA** officials and officially requested to use the tournament for this purpose. Thanks to this development, an international officials committee consisted of 50 officials will participate in the tournament for the first time in 2011.

Turkey-wide Contests and Championships

Türk Telekom provided telecommunication infrastructure of World fencing Championship organized in **Antalya in 2010** while providing telecommunication infrastructure support to **Turkish Basketball Federation** in various tournaments and competitions within the same year. Some of the organizations that **Türk Telekom** organized or sponsored in order to support Turkish sports were:

3rd Türk Telekom Photo Journalists Basketball Photos Competition: For the purposes of appreciating efforts sports press and introduce the works of art of photo journalists, 3rd of the

Türk Telekom Photo Journalists Basketball Photos Competition, which has already become a tradition, was held in 2010.

2010 FIBA World Basketball Championship: In the championship held between **28th August and 12th September 2010** with the participation of giants of basketball from 24 countries that was hosted by Turkey, **Türk Telekom** undersigned a new study with the new generation payphones put into service. Thanks to these payphones, basketball fans connected to internet, put their files on the internet, and shared their photos and videos on **Facebook** through a single key.

Türk Telekom Izmir CUP 2010: Jointly organized by **the Association of Tennis Professionals – ATP and Turkish Tennis Federation**, the tournament was organized for the third time this year. 120 tennis players in the world-ranking from 41 countries participated in this tournament that **Türk Telekom** sponsored for the second time. **Marsel İlhan**, who played against **Wild Card** in the final, completed the tournament in the second rank. İlhan's rank in ATP increased by 6 steps thanks to the score he received in the final match and he became the 96th from 102nd in the ranking; he is the first Turkish tennis player in Turkish sports history succeeded in to be listed in top 100.

WTA Istanbul CUP: **Türk Telekom** supported the tournament, which is considered as an important stage of Professional women tennis series, as the main sponsor.

Türk Telekom Anatolian Cup: **Aliağa Petkim, Antalya Metropolitan Municipality, Mersin Metropolitan Municipality** and **Türk Telekom Basketball A Team** participated to **Türk Telekom Anatolian Cup** which was held in Çorum between **10 -11 September 2010**.

Türk Telekom International Cup 3: **Türk Telekom International CUP 3** was organized in Samsun for the third time this year between **18th and 20th September 2010** with the participation **Cibona Zagreb, Vef Riga, Beşiktaş Cola Turka** and **Türk Telekom Basketball A Team**.

11. TO PREPARE TURKEY TO THE FUTURE: TECHNOLOGICAL AND INFRASTRUCTURE INVESTMENTS

Türk Telekom continues to upgrade its communication infrastructure with new generation technologies and applications, and consequently increasing its service quality which leads to increase of customer satisfaction. As a technology giant that "**Adds Value to Turkey**", **Türk Telekom** undersigned significant technologic and infrastructure investments both in Turkey and regions in vicinity of Turkey in 2010.

JADI Link: Digital Silk Road

The process of being an international player, started with acquisition of **Invitel International** by **Türk Telekom**, continues with realization of **JADI Link**, the biggest and first multi national cable consortium project of Middle East. Executed an agreement in order to buy all shares of **Invitel International** and increased its power in Europe through 27 thousand kilometers fiber optic infrastructure of **Invitel International**, **Türk Telekom** has built the communications bridge that connects the Eurasia by **JADI Link** agreement covering the Middle East. Brought into being thanks to the co-operation between **Türk Telekom, Saudi Telecom Company, Jordan Telecom Group** and **Syrian Telecommunication Establishment**, **JADI LINK** will provide a safe and strong alternative to the cable systems that already pass through the Mediterranean basin where three big fault lines existed and therefore often suffered because of earthquakes and tremors by establishment of a fiber optic network between the Middle East, South Asia and Far East. Thus, the only alternative of submarine cables pass through **Mediterranean** and **Red Sea** will be the overland line. In

intercontinental internet, data and voice transmission, **JADI LINK** will be the second most significant connection corridor to be linked to the **USA** by submarine fiber optic cable systems starting from **Singapore, Japan and India** and following the **Indian Ocean-Red Sea-Suez Canal-Mediterranean** route and finishing in **Italy, France, Spain** and the **UK**. In other words, this gigantic line will bring in a new intercontinental digital Silk Road in the region. The outcomes of **JADI Link** project are; providing a completely terrestrial, unique and short route as an alternative to the Mediterranean and the Red Sea corridors, meeting the rapid increase in demand on intercontinental data and IP services, providing an additional capacity from Istanbul to Europe and beyond, and from Jeddah to the South Asia and beyond, offering high quality, safer and faster service, reducing the disruption risks caused by submarine cable systems.

Total Length of Fiber Optic for Access and Transmission Purposes

Reached Up to 133 Thousand Kilometers

Türk Telekom also made important investment inside the country in order to improve communications infrastructure. In 2010, access purpose **F/O** cable installed in order to increase broadband capacity and quality; 540 kilometers for **Metro Ethernet** and 910 kilometers for **FTTB/H**. total length of access purpose **F/O** cable network reached up to around 20 thousand kilometers at the end of 2010. **Türk Telekom** installed 34 kilometers submarine **F/O** cable between **Yalova** and **Darıca-Taşköprü** in the Marmara Sea for crossing **Gulf of İzmit** and in Bosphorus, **Sarayburnu** and **Salacak - Bebek** and **Vaniköy**.

Transmission purpose fiber optic cable investments and installations have been continuing. Within this scope, 3rd direction transmission routes besides new transmission routes and for F/O route separation 3 thousand 273 kilometers F/O cable installed in 2010. And as of end of 2010, total length of transmission purpose fiber optic cable length reached up to **113 thousand** kilometers. Within the scope of **TAFICS** Project, **500** kilometer F/O cable installation and **250** kilometers route change were performed.

Port Number Reached to 1 Million 650 Thousand in EAS

whose Number Increased to 9 Thousand 500

In line with the convergence vision of **Türk Telekom, External Access Systems (EAS) Transformation Project** aiming to shorten copper lines and offering higher quality services to customers still continues; EAS is an application of fiber to the cabinet (New Generation Cable Access- FTTC). Within the scope of this project, the average speed to be provided in EAS sites increased to **13.6 Mbps** thanks to the installations performed in 2010; this figure was **12.5 Mbps** as of end of 2009. Average speed in general increased to **9,3 Mbps** from **8,5 Mbps** (as of end of 2009) by transferring low speed subscribers, which were operated indoor, to FTTC besides identification of new subscribers to FTTC. Thanks to the installations made in 2010, EAS cabinet number reached to **9 Thousand 500**. There are already **1 Million 650 Thousand x DSL** ports that have been set.

New Generation Cable Access is in Skyscrapers

FTTx defines a broadband data transmission platform developed for delivery of data received from any IP/MPLS point to any user (site, PRivate settlements, OSB, etc.) in any band width. Started first in **Ankara Dikmen Park Vadı Residents** consisted of one thousand 205 households in 2007 by using **New Generation Cable Access FTTH-AE** technology, **FTTH** projects reached to 6 thousand home pass until end of 2009. In 2010, **FTTx** applications accelerated thanks to first delivery and installation of **GPON** (Gigabit Capable Passive Optical Network), **AES** (Active Ethernet System) and **HGW** (Home Gate Way) systems. Within this framework, the number of **home passes** reached up to **12 thousand 800** as of end of 2010 thanks to the **FTTx** projects applied in Anthill which has the

highest number of flats in a block in Turkey with 839 flats in total and in Sapphire having over 400 flats per block, and realized through the agreements executed with construction companies such as Ağaoğlu. In addition to this figure, **225 thousand** new users are targeted for year 2011 within the scope of projects to be conducted throughout Turkey.

Also Organized Industrial Zones Meet with Fiber Technology

Kayseri Mimarsinan and **Sakarya** Hendek I Organized Industrial Zones (OIZ) met with fiber technology. System installation has been completed in these OIZs and everything arranged for customers to receive all services over **FTTF** (Fiber To The Factory) broadband infrastructure in the highest quality that is possible and uninterruptedly. In addition, infrastructure studies for **Balıkesir**, **İnegöl**, **Denizli**, **Uşak**, **Manisa**, **Gebze** IMES Makine OIZs besides Tuzla, Kimyacilar, Vernikciler and Mermerciler OIZs in Istanbul have been completed. In **Bursa** Demirtaş, **İzmir** Çigli Atatürk and **İzmir** Kemalpaşa OSB which are among the largest OIZs of **Turkey** broadband infrastructure studies have been commenced.

Furthermore, studies for integration of **GPON**, **AES** and **HGW** systems required for transmission of content to the users in **FTTx** applications with **CRM**, **TMS**, **TAS**, **CBS** systems existed in **Türk Telekom's** infrastructure. When the integration studies will be completed in March 2011, system identifications will be made automatically which are made individually at many points by the employees for the time being.

In addition, some purchases for F/O distribution frame, F/O junction parts, F/O linking parts, F/O completion parts required for completion of optic cables to be used in broadband services, protection of them from weather conditions and mechanical effects in collection points, operation and control of them have been made and such purchases still continue. Also, within the scope of broadband services, F/O connecting cables to be installed inside the buildings for FTTH applications and optical splitters to be used in **GPON** systems.

Voice Message Traffic Was 16 Million Thanks to Improved Infrastructure

Rehabilitation studies aiming more efficient use of infrastructure of the system used for voice message traffic without including additional equipment to existing **Türk Telekom's** lines has been started. Within this scope, **3 million** users directed to the testing system and by this way, around **16 million** missed calls completed successfully within 10 months. After the rehabilitation studies finished, it is expected that this ratio will be increased 100 percent on annual basis.

After Short Message System Put into Service, Total SMS Number Increased to 14 Million

Türk Telekom give their customers the opportunity of receiving and sending written messages by changing their telephones or sending their written messages over internet and receiving voice messages without changing their telephones. In April **2010**, system capacity was increased to 50 messages per second from 21 messages per second. Thanks to rehabilitation project, this figure will be 100. In **2010**, individual users send **5 million 783 thousand 191** SMS over **F-SMSC** and **8 million 211 thousand 874** SMS from **GSM** operators were sent to **Türk Telekom** users. Consequently, total SMS traffic was around **14 million**.

It is Time for Teleconferencing

The lives of **Türk Telekom** subscribers becoming easier and richer due to audio and visual conferencing, instant messaging opportunities besides opportunity of making presentation to the participants connected over internet. The system infrastructure transferred to the **Smart Networks Platform** in 2010 and owing to this, audio conference capacity, which was **240**

channels, was organized in order to use **20 bin 640 channels** by increasing connection capacity of the entire platform.

Virtual Exchange Ready to Give Service

Centrex means that if a company prefers to meet its need for exchange service via obtaining a switching and directing service from one of Türk Telekom's exchange instead of purchasing a telephone exchange for the company. Some modifications have been made in Türk Telekom's network for **Centrex** service which was restricted, location dependant and limited with the type and capabilities of the exchange from which the service was taken. **Centrex** has become ready for giving service upon installation of systems for flexible use of **Centrex** in a wider area independent of location was made and after completion of related tests. In the demo/test installations made in 2010, test accounts were opened for 13 users and system operation tests were made.

Uninterrupted Communication with Convergence Technology

In **2010**, **Türk Telekom** conducted some projects for convergence of mobile and fixed networks and consequently, providing service diversity independent of network. With these projects, it is aimed to provide continuity of services given over **PSTN**, **IP** and **GSM** networks from one common platform independent of infrastructure, location, access point and time. Thanks to this development, Türk Telekom customers can reach to the services without changing their devices by using **TDM**, **IP**, **Hot Spot** and **GSM** base stations.

With Smart Networks Platform, Service Options Increasing

Thanks to the investments made, capabilities of some services given under limited circumstances such as **Free Phone Service (FTH)**, **Contest Services (VOT)**, **Universal Access Number (UAN)**, **Personal Number Service (UPT)**, **Information Services (PRM)** have been increased besides some new and revenue generating services such as **Ring Back Tone (RBT)**, **Sponsored Phone Call (SPC)** included in **Türk Telekom Network**. Within this scope, **688 E1** and **189 CAPS (Call Attempt per Second)** capacity system put into service in March 2010. Televoting service for **Yemekteyiz** (We're at Dinner) television program, **171 Health Consulting Service**, **Sabah IVR** service and **Doritos Campaign** over number **0800 200 2020**. Previous **TTkart** and **4448758 KONFERANS** services transferred on the **Smart Networks Platform (IN)**. Besides preparation studies for transfer of **0800** and **444** numbers, **RBT/SPC, Limited Postpaid** service, and **PPC** service where it is possible to top-up via **UPT, VOT** and credit cards.

Added value Service Options Via TT VPN for Corporate Customers

TT VPN is a service that can be used to provide added value services over it and for corporate customers, a service which is manageable, scalable and can be provided at different levels. Owing to end-to-end, multipoint-to-multipoint, redundancy, high availability, flexibility and alternative directing features of **TT VPN** network, business continuity of companies having distributed network structure has been provided all over the country.

Solution Partnership for Manageable Services Agreement has been executed with solution partners in order to provide such services. **61** out of **101** projects (**TTVPN+Virtual Exchange**), implemented by solution partners since agreement date were completed in 2010.

Almost Face to Face with Telepresence

Telepresence is defined as “**advanced level video conference systems**” that makes you feel as if you are in the same room during a meeting conducted between two or more distant points. Thanks to **Telepresence** systems available at one point in Ankara and in two locations in Istanbul, **10 thousand 648 persons** used **3 thousand 397 hours Telepresence** instead of traveling. This system, first experienced within **Türk Telekom**, now meets the requests of customers.

Türk Telekom Internet Houses: There will be no District without Internet!

Türk Telekom Internet Houses project aims access to information and internet by everybody. The project basically targets establishment of an **Internet House**, in which average **20** fully equipped computers with broadband internet access are found, in each district of **Turkey** and dissemination of internet use. For the time being, **Türk Telekom Internet Houses** are established in totally **967** centers and handed to the local governments.

Common Management Platform Project in Service Operations Center

In **2010**, processing of alarms received from EMS/ NMS of Transmission (SDH, R/L), Exchange (DMS, AXE, S12, EWSD), IP MPLS, xDSL (DSLAM, SSG), ATM (TTnet, TURPAK), TDM (DXX Tellabs, NEWBRIDGE) networks by TEMIP Error Management has been started. The errors can be appointed to the relevant teams according to the region information after opening error labels, based on the real causes and in accordance with the defined rules, and associating customer errors and other errors related to the mentioned error with RCA. **By this way, errors are solved in the shortest time. Especially, execution and management of service level commitments and service level agreements are among the outcomes of the system.** Circuit based SLAs are made and related specifications are kept on the SLA module, and they are updated regularly according to the new conditions developed between the systems. If the reason of the failure related to the service which was interrupted due to this failure is within the SLA, monthly and annual availability rate of the said circuit can be calculated.

With **Optima Performance Module**, performance monitoring of transmission (SDH, R/L), exchange (DMS, AXE, S12, EWSD), IP MPLS, xDSL (DSLAM, SSG), ATM (TTnet, TURPAK) networks has been started, alarms for critical situations have been generated, and labels for these alarms started to open on SM-Error Label Management. From reporting module (BO), it is possible to take detailed reports related to all labels opened on SM and based on network, date and reason of error, and for analysis purposes.

Service Operations Centers are Ready

Room constructions and DLP display installations for service operations centers have been completed in 5 different regional centers of **Türk Telekom** which are Ankara, Erzurum, Samsun, Diyarbakır and Trabzon. Operational teams will carry out management of all error, performance and error labels belong to customer services independent of network and backbone equipment within the same room. By this way, customer oriented and proactive management model will be realized.

Transmission Network Projects: Addition of One thousand 419 Directions to 543 Centers

With YN-DWDM TransmissionNetwork, Metro DWDM TransmissionNetwork and YN-SDH Systems, the followings are achieved; increasing existing network capacities, renewal of network topologies, improving operation/direction capabilities of networks, deployment of a more reliable

infrastructure service, using fiber infrastructure efficiently and increasing service diversity. In backbone YN-DWDM Transmission network, **262** directions have been added to **85** centers and a bandwidth of **17,28 Tb/s** has been achieved. In Metro DWDM Transmission Project, a bandwidth of **10,18 Tb/s** has been achieved by adding **497** directions to **176** centers located in **Ankara, İstanbul, İzmir** and **Adana** provinces. In Regional YN-DWDM Transmission Project applications, a bandwidth of **6,64 Tb/s** has been achieved by adding **660** directions to **282** centers. In total figures for all YN-DWDM Transmission Projects, a bandwidth of **34,1 Tb/s** been achieved by adding **One thousand 419** directions to **543** centers. In **2010**, totally one thousand YN-SDH terminals were installed and commissioned in 617 intercity, regional and metropolitan transmission networks, and **340 thousand 2 Mb/s** added to the system (20 million 638 thousand 630 channel terminals). Operating and management systems for YN-DWDM and SDH systems were delivered and installed.

Synchronization Project

For the purpose of synchronization of systems used in **Türk Telekom's** network, **93 SSU and Atomic Time (PRC)** assembled and put into service after their provisional acceptance tests in all provinces.

Exchange Systems being Transformed

TTNGN Project: It is aimed to replace all TDM exchanges existed in the current **Türk Telekom** PSTN infrastructure with **New Generation Softswitches** besides replacement of all local office exchanges with MSAN for added value services. Within this scope, **17 GSS, 2 SBC, 4 NMS, 1 IMS Core** and **36 MGW** were installed in **12 Türk Telekom Regional Directorate Centers**. Their network integrations and system tests still continue. Within the scope of **NGN Transformation Project**, MSAN orders including **1 million 140 thousand** lines given in 2010 in order to transform **128** big office exchanges into MSAN systems. As of end of **2010**, transformation of approximately 200 thousand lines into MSAN systems have been completed.

Pre-NGN Project: Within the scope of providing VoIP and FMC services, **8 GSS, 2 SBC, 1 IMS Core** and **16 MGW** were installed in 8 Regional Directorate Centers. Transformation of **Elmadağ** and **Kazan** DMS exchanges with MSAN products after completion of system tests, and they are transferred to NGN network.

Short Haul and Long Haul Radio Link Systems: First Stage Established for University Winter Games

Installation of new generation radio link systems, providing the opportunity of STM-1 Electrical/Optical starting from E1, Fast Eternet and GbE to **Türk Telekom** customers, continued in 2010. IP based RL systems agreement has been executed and at the first stage it was established and put into service for **University Winter Games** organized in **Erzurum**. Within **2010, 2 thousand 500** AV RL systems in total have been put into service. Existing leased circuits of **GSM** operators have been backed up over radio. Back up of voice traffic of all provinces together with ICPMPLS back up in **56** provinces have been made. Totally **15 thousand 970 AV** has been attained; this figure is distributed as 4 thousand 210 AV being stored on the high reliable backbone that can be centrally controlled 7/24, and 11 thousand 850 AV on local basis.

Villages without Telephone Project

Türk Telekom completed its surveys in 6 provinces after execution of the agreement with the Ministry of Transportation within the scope of Universal Service Obligation and for providing

telephone and basic internet services to around 2 thousand 500 villages where there are no or insufficient communications infrastructure.

Mobile Stations Put into Service

That will be needed by **GSM** operators and also by **Türk Telekom** for extraordinary situations, five mobile stations have been put into service in order to meet transmission over satellite needs of fully equipped mobile devices to be used all over the country.

Waste of Resources in xDSL will be Prevented

Providing data transmission over copper telephone line, **xDSL** network has been reached to **9 million 843 thousand port** capacity in 2010. However, this figure declined to **7 million 973 thousand** due to transfer of NEC network consisting of **1 million 870 thousand ATM ports**. **6 million 647 thousand 350** ports out of that figure are still in use. It is aimed to replace all **ATM** based products with **IP** based products. Facilitating of operation and prevention of waste of resources are planned by uniting different servers existing on **xDSL** networks on one platform.

Also equipment and software planning has been made for reporting of **xDSL** network soundness, taking network analysis reports, reaching to high speeds by network optimization, increasing line stability, solving customer problems from center through line tests, reducing **xDSL** failure rates, determining new serviceability possibilities.

Payphones are More Skilled Now

With **Multimedia Payphone Project**, payphones are more skilled now. Internet based system where users can connect to internet and make video calls with the persons using **videophone** service has been realized by **Türk Telekom**.

Within scope of **Multimedia Payphones (MMP) and Kiosks**, delivery of **one thousand** multimedia devices and their distribution to the provinces have been completed. **58 MMP** have been installed all over Turkey fro testing purposes upon permission of BTK.

Turkey's Biggest MPLS Network Manages Six Million IP inside the Country

Türk Telekom IP/MPLS network, that high speed, high quality and various services can be provided to the customer over it by consolidating transmission links for separate networks independent of each other, is Turkey's biggest network with over two thousand chassis and over 54 thousand port capacity. Multiple collection points and links are **10 Gbps**, installed port capacity on the network is **79 Tbps**. Internet connection abroad is provided through POPs established in three foreign cities; **Frankfurt, Amsterdam and London**. With **Metro Ethernet** access, existing optic and Ethernet technologies are combined in order to provide data transmission service in speeds ranging from **5 Mbps to 10 Gbps**.

Within the scope of 3rd Direction Project which aims minimum three transmission outputs for each center in order to prevent network to affected from transmission interruptions, relevant studies started and in each province, an additional direction F/O alternative route was added. Redundancy studies for all chassis still continue. In the network on which **IPTV**, **WebTV** and **NGN** projects will be transferred, 205 ring topology transformation and chassis redundancy were provided in 2010 within the scope of optimization studies for improving the infrastructure. By making **IP/MPLS** network ready on ipv6, six million IP have been managed inside the country.

DDoS Attacks Prevention Platform Established

System installations related to prevention of **DDoS** attacks targeted **Türk Telekom** infrastructure and its corporate were completed and they started to give service in 2010. **Türk Telekom** website and interlinked micro sites have been protected by the platform since the second half of **2010**. **Türk Telekom**'s corporate customers', especially banks', demand for this service is high.

Fast Access to Foreign Contents over Akamai

Device uplink connections increased from **10GB** to **20GB** by installation of 418 servers in 5 locations in quarterly periods in order to fast access to foreign contents within domestic distant over **Akamai** servers. By this way, total capacity reached up to **100 Gbps** and 16 percent savings achieved in use of foreign lines.

Energy Infrastructure Being Rehabilitated

Türk Telekom also made some studies and investments related to rehabilitation of energy infrastructure. Within this scope, energy infrastructure re-organized and new systems were established in 415 centers in 31 provinces in order to increase energy quality, existed systems which can be used were rehabilitated and transformed into new generation systems that can be remotely monitored and interfered. As continuation of this project, the situation of 166 centers in **23** provinces was evaluated under this project and bid related to them was completed in 2010. System installations will be made within **2011**.

Another development in energy field will be realized through **Transformation of DC Energy Systems** Project. The followings are aimed with this project; renewal of 8 thousand 800 equipment in DC energy systems which are insufficient and filled its economic life, and by this way providing energy saving, decreasing maintenance and operating costs and minimizing system interruptions.

With **Solar Energy Systems Project**, deployment of renewable energy resources and prevention of interruptions based on energy problems in the centers, where AC grid problems are high, are targeted.

Transmission and ADSL Rooms Energy Project is planned in order to increase infrastructure rehabilitee systems installed in **transmission** and **ADSL** rooms. Within this scope, systems with double-feeding feature will be fed from a second source and insufficient energy panels will be replaced.

Energy Efficiency in Cooling Systems

Türk Telekom has provided energy efficiency thanks to **Istanbul-Gayrettepe IDC2 System room Air Conditioning Project**. Within the scope of the project, 20 air conditioners with **Free Cooling** feature that provide significant levels of energy saving, depending on climate conditions, when compared to conventional cooling systems and which were used for the first time in Turkey have been installed.

Large Scale, Double- Circuit DX (Conventional) Precision Cooling Systems Project was another project developed in this regard. **100** pieces **28.000-58.000** Kcal/h cooling capacity double-circuit air conditioners purchasing agreement has been executed in order to replace existing equipment and meet the cooling needs of telecom systems.

Another project was Small Scale, Single Circuit DX (Conventional) Precision Cooling Systems Project. 150 pieces **6.000-20.000** Kcal/h cooling capacity single circuit air conditioners purchasing agreement has been executed in order to replace existing equipment and meet the cooling needs of telecom systems.

Another step in the investments in cooling field was Split Free Cooling Air Conditioner Project. 150 pieces **28.000-58.000** Kcal/h cooling capacity double-circuit air conditioners purchasing agreement has been executed in order to replace existing equipment and meet the cooling needs of telecom systems and in accordance with the energy saving results obtained from air conditioning of **Istanbul-Gayrettepe IDC2** system room. The mentioned equipment will be installed within **2011**. In addition, another project was **Split Type Air Conditioner Project**, and its bid completed. A bid was conducted for purchase of 1000 split type air conditioners to replace existing equipment and meet cooling needs of telecom systems and customer rooms. Their installation will be started in 2011.

Fire Detection and Automation Project

Applications including fire detection and automation systems establishment in the previous years realized in order to protect **Türk Telekom** buildings against fire have been deployed. Within this scope, installations in 30 exchange buildings in eastern provinces of **Turkey** have been completed.

Development Laboratory for Access networks is opened

Within the scope of **Türk Telekom Access Network Frequency Plan- ANFP** studies aiming to reduce the interference of systems on copper network (**DSLAM, IPDSLAM, FES, line multiplexers, PCM PSTN, LiteSpan, Modem, Card, etc.**) with each other besides providing operation of access network with highest efficiency, the first stage of establishment of **Access Netvork Development Laboratory in Ankara-Boğaziçi Exchange Building** was completed. Especially after **Opening Local Network to Sharing**, all systems, equipment and cards that are planned to be used in **Türk Telekom** copper infrastructure by all enterprises including **Türk Telekom** must pass from compatibility tests to be carried out in the above mentioned laboratory. Besides these tests, the laboratory will provide the necessary environment required by the tests and developments that the departments in the **Türk Telekom** want to perform on access networks and existing broadband infrastructure (**DSLAM, Modem, NMS, etc.**)

12 SME Regional Directorates Established

Türk Telekom established SME Regional Directorates in 12 regions in 2010. Medium-term technical sale co-operation agreements (MTTSCA) have been made for **OIZs, Technoparks, Techno-Cities, SMs, Free Zones and Building complexes.** Within this scope, totally 236 MTTSCAs have been executed as follows; with 90 OIZs, 26 SMs and plazas, and 120 building complexes. The number of business places in OIZs, SMs and plazas with which MTTSCAs signed was 59 thousand while number of households was 54 thousand 216.

In addition, in SME sales channel, business Law and Legislation Package has been developed and put up for sale for lawyers and accountants. Within the framework of co-operation with **Microsoft**, installment sale of **Windows 7** and **Office 2010** products have been started in **Türk Telekom** and **TTNET** channels.

In SME sales channel, “Customer Satisfaction Survey” is being conducted in order to measure service quality performance periodically and develop it. In this survey started in **August 2010**,

customers, getting service from SME sales channel, evaluate corporate dealers that they have been taking service every month via Customer Satisfaction Questionnaires.

Another appraisal is made via hidden customer application started in the third quarter of 2010 for 450 Contact Points. According to the service quality standards determined by Türk Telekom, these points are evaluated in every 3 months by the research company personnel acting in customer role. Hidden customer survey which was conducted in every 3 months in Dealers Channel changed to monthly evaluation since July 2010. By this way, service quality performance of **850** dealers monitored through monthly evaluations.

Corporate Sale Channel Structuring Completed and Focused on Turkey's Leading Sectors

The structuring of **Corporate Sale** organization, whose design started in **2008**, was completed in **2010**. **Corporate Sale** organization focused on finance, energy, media, health, education, production, informatics, tourism, automotive, retail and construction sectors and provided high technology solutions to its customers.

The organization also focused on sector based solutions in order to create difference in an environment of increasing competition. Within this framework, the studies related to access to **European Network Exchange (ENX)** communication system started in 2007 in co-operation with **Türk Telekom, Automotive Manufacturers Association (OSD) and Association of Automotive Parts and components Manufacturers (TAYSAD)** were complete. With **ENX (European Network Exchange)** solution developed for production industry, the sale of highest capacity ENX service solution activated in Europe until today has been accomplished. Thanks to this solution, Turkish automotive companies enjoy safe data transmission in high capacity and speed over **ENX**, the communication network specific to the sector. With **ENX**, full integration of automotive sector with EU in communications and data transmission fields is aimed.

Special Solutions for Also Media and Finance Sectors

The first goal in solutions developed for media sector was directing domestic publishing companies, which were mostly receiving service from foreign countries, to the country with CDN solutions developed. In this regard, internet traffic was directed from foreign countries to the country over business partners.

Fiber optic based projects, offering high band widths and covering all offices being the finance sector at the first rank, have been realized; and long-term contracts have been made for **Leased Line** service used intensively by finance sector through capacity and equipment campaign editions created.

TT VPN service agreements have been signed with over 80 corporate customers within the framework of manageable services. Within the scope of these projects, Broad Band Networks of enterprises have become manageable from end to end thanks to the establishment of entire infrastructure and supply of end devices. By this way, transformation into **IP** based services has been achieved. And, corporate customers could follow their operations from one single point by contacting with **corporate customer services**.

Public Sector Sales Channel Structured: Turn-Key Projects Increased

The structuring of **Public Sector Sale Channel** was completed in 2010; this channel was launched in order to provide solution oriented services to all public bodies from Presidency to the Prime Ministry and Ministries, from military bodies to local municipalities from a single channel through personnel competent in their fields.

Public Sector Sale Channel have provided many turn-key, public focused and integrated solutions to many public bodies together with **Türk Telekom** group companies that to participate in all e-state projects set as their goal.

City Security Management System (CSNS) has been realized on turn-key basis in **24** provinces; in 29 province centers, except of the cities mentioned above, infrastructure of CSNS projects have been provided.

“2010 Public Sector Communication Days” event having the main theme **“Information Society and Telecommunication Solutions”** was held in **Ankara Rixos Hotel on 26th May 2010** with 870 participants consisting of top executives of public institutions and bodies as well as officials of **Türk Telekom** and its subsidiaries.

Structuring in Individual Sales Channel: Everything is for Increasing Service Quality

Within the framework of transformation program for establishment of **Türk Telekom**’s effective and widespread dealer sales channel, dealers were evaluated based on the performance and locations convenient to the needs, and the number of dealers decreased from one thousand 383 (including 158 contact points in 2009) to one thousand 285 (including 435 contact point). For optimizing number of dealers, dealer number revised by changing low performance dealers from type A, B, C to contact points. Within scope of Dealer Progress Project, decoration of 175 dealers was completed within 2010.

Started in **October 2010** in order to increase product service sales and customer service quality, PHASE 1 step of **Product Promotion and Sales Expert Project** was realized. Decoration of 86 dealers in **42** provinces and personnel locations to dealers type A and B were completed. Totally **116 Product Promotion and Sales Experts** arelocated in 54 provinces until end of 2010.

High standards in Customer Relations

“Service Quality in Electronic Communication Sector Regulation” issued by **Information Technologies and Communication Sector Authority** (BTK) was published in Official Gazette of the Republic of Turkey, nr. 27697 dated 12th September 2010. The Regulation will come into effect in March 2011. The purpose of this regulation is; ensuring operators to give service and operate infrastructures in accordance with the national and international service quality standards. Within this framework, some service quality measures have been determined and it is expected from operators that to attain these target values. **Türk Telekom** has been conducting its technical and customer relation studies for **PSTN** service in this direction.

In customer service lines, new goals were determined and put into practice in each service channel besides existing quality measurement goals in order to improve customer experience. Energies were focused on routine performance tracking in offices, dealers, call centers and online service channels.

Studies for ensuring efficiency and standardization in offices which are most important face to face service channels of **Türk Telekom** were carried out. For customers to experience new product and services in offices, especially in ones having a high volume and appropriate spaces, establishment of “Customer Experience Areas” started. With such experience areas planned to deploy in 2011, it is aimed that customers to become familiar with many products and services from **Wirofon** to Vitamin, from IPtivibu to many others.

A project for achieving service efficiency for face to face service channels of **Türk Telekom** has been started. Within the scope of project, face to face channels being offices and dealers at the

first rank will be shown on the map on location basis, and geographical allocation of channels after a potential data analysis to be conducted on regional basis, and by this way, countrywide service efficiency will be ensured.

Türk Telekom ordered shooting of short films aiming customer relations personnel in order to increase quality of service provided to customers. Thanks to these films, information was given to customer relations personnel in many fields from service-friendliness to dressing. Again for increasing customer satisfaction, a booklet for saying hello to new customers has been prepared.

Public sector, corporate and wholesale customers which are upper segment have been collected under an upper ID in order to increase quality of Corporate Customer Services and for creating a healthy database that will be used in studies related to customers.

Corporate Memory Recorded with TTCBS

Türk Telekom's TTCBS project includes a system that targets tracking, planning and operating of all inventories of the company in digital environment. This is a system that associates Telekom infrastructure data and spatial superstructure data in digital environment with verbal data; map based data is presented after collected, queried and analyzed in an integrated structure by matching with other intersystem data such as subscribers, network infrastructure, maintenance and repair in a database.

In this regard, access network data is transferred into digital environment at the first hand. While inner city data was transferred in **80** provinces, transfer of other parts into the system is planned to complete in 2011. **TTCBS** system already can exchange data with **TMS**, **TTS** and **TAS** systems. The data transferred from these systems is used in web applications.

In **TTCBS** web interface, for Access Units there are “**Speed Analysis**”, “**Revenue Analysis**”, “**Failure and Maintenance Analysis**”, and “**Copper and Fiber Infrastructure Analysis**” modules are existed while for Marketing and Sales Units “**Decision and Support Analysis**” module is existed for the time being. In “**Speed Analysis**”, **Geocoded** customers can be queried online via **PSTN** numbers and the speed that is used by the customer and allowed to be used can be displayed besides **VDSL** speed prevision.

In **Revenue Analysis** module, customer **PSTN** revenue data received from **TTS** system can be displayed thematically on cabinet, regional and province directorate basis. In **Failure and Maintenance Analysis** module, failure data and box received from **TAS** system can be viewed on TT network on cabinet, regional and province directorate basis, and failure intensity analysis can be carried out besides development of decision support applications for maintenance. In **Copper and Fiber Infrastructure Analysis** module, all existing infrastructure components can be analyzed and queried, reports related to access network inventories can be taken. In “**Decision and Support Analysis**” module developed for Marketing and Sales Units customer's contract speed, actual speed and speed that can be provided or received by the network are analyzed by comparing with each other and by use of these results, marketing and sales reports can be prepared.

Besides the modules mentioned above, web services that reach **TTCBS** database in real time and query location information have also been ready for use. For Ankara **MOBESE**, this web service is used.

PDA for 3 thousand personnel on site

With Field Force Management Project, it is aimed to get **PSTN** job orders from a single interface, and enable instant access to job orders from site by automatically directing job orders to **PDAs** to

be provided to the teams. In addition, the followings have been targeted; carrying out team management and analyses effectively, increasing customer satisfaction and corporate prestige, achieving workforce saving by presenting unbalanced work distribution, increasing quality in service, and decreasing operating costs. The use of **PDA** devices started in 2010; as of August 2010 almost three thousand site personnel started to use these devices.

The number of ADSL is 6 Million 629 Thousand 191

Sold to service provides based on Purchase-Sell and Data Flow Access models, **ADSL** internet service has been expanded; as of 15th December 2010, active **ADSL** port number increased by **410 thousand 157** and reached to **6 million 629 thousand 191** while installed port number increased to **9 million 207 thousand 301**.

In 2010, active operator number selling ADSL based on Data Flow Access model was 12 while there were 17 active operators selling ADSL based on Purchase-Sell model. Purchase-Sell agreements have been signed with 5 operators that have entered the market recently.

The active operators making sales for sharing of Local Area Network was 10. As of 13th December 2010, **9 thousand 757** subscribers were getting shared access and 531 subscribers were getting full access service.

12. VALUE CREATING THE FUTURE: TÜRK TELEKOM R&D STUDIES

R&D IS AT THE HEART OF INNOVATIVE OPINIONS

Türk Telekom Group conducts research and development studies in the **R&D Directorate** established within the group. **Türk Telekom R&D Directorate** has the vision of increasing customer satisfaction becoming the technology leader of Turkey and in the geographical area close to Turkey by carrying out researches and development studies on new generation technologies.

Türk Telekom R&D Directorate defines its mission as follows: developing innovative products, broadening patent portfolio of the group, envision and evaluation of advanced technologies that can impact group activities and provide contribution to adoption of such technologies by establishing a R&D organization best in its field besides a strong R&D ecosystem including academics and business partners.

Long-term strategy followed in order to realize **R&D Directorate's** above mentioned mission and development of innovative products and technologies has the following titles:

- Within the scope of university and industry co-operation, developing close relations with universities and giving clear support for innovation.
- Developing prototypes that can lead to innovative services and products by working with R&D business partners, and supporting productization stage.
- Evaluation and review of new technologies, development of patents, defining technology roadmap, converting opinions into products and services in the **R&D Centers**.
- Conducting advanced research projects and increasing technical competency of R&D team by joining to multinational EU research projects. Procuring the coordination of the R&D activities within the group.

19 Projects from 23 Universities Chosen

In 2010, Türk Telekom R&D Directorate was in contact with prominent universities of Turkey. Contacted with 23 universities throughout country, seminars and meetings were organized in order to develop a way to make co-operation with universities and joint projects. In these meetings, Türk Telekom Group R&D projects presented to students and academics, and information was given related to master and doctorate studies supporting programs. These visits have created effective results. Many project proposals received from universities; 19 projects out of those projects have been chosen in health, energy, multimedia, next generation telecom networks, social networks, voice and image processing fields. In this regard, outline agreements have been executed with Bahçeşehir, Koç and Özyegin Universities, agreement negotiations with other universities still continue. Within the framework of Türk Telekom's first approved European Union project MEVICO (Mobile Networks Evolution for Individual Communications Experience); joint studies with Izmir High Technology University have been started.

R&D BUSINESS PARTNERSHIP PROJECTS WITH SMEs

Within scope of R&D studies, in 2010, the co-operations with SMEs developing technology and experienced in international research processes continued with an increase. Conducting research activities in advanced technology issues, the enterprises in harmony with group's R&D strategies have been included to the ecosystem after evaluated according to the specific subjects they work on.

The joint projects implemented with these companies carrying out their activities in technocities include developing solutions for sectors where telecommunications increasingly gaining importance such as health and energy and researches and prototypes in new generation issues such as "Increased Reality, Semantic Web, Location-Based Services, Mobile Labeling, Mobile Operating Systems and Applications".

MEVICO, the First Approved EU Project

Türk Telekom R&D Directorate actively participates in European Union studies and projects. These can be listed as follows:

EUREKA PROGRAM: In this program, participation in CELTIC labeled MEVICO (Mobile Networks Evolution for Individual Communications Experience) project has been accomplished, and we have been entitled to receive funding in an amount of Euro 200 thousand from TÜBİTAK. The leader of the Turkish consortium, including also Avea and Ericsson Turkey, is Türk Telekom. MEVICO is the first approved EU of Türk Telekom.

EU 7th Framework Program (FP7): 3 project proposals having a total funding amount of Euro 570 thousand 300 have been given to European Union 7th Framework Program; the proposals are related to health, tourism and smart systems. These 3 projects succeeded in passing the threshold, however their rank has not been determined. Again for ICT call of European Union 7th Framework Program, 7 projects were sent to the European Commission.

Strategic Co-Operations: A strategic R&D co-operation has been started with Atos Origin, one of the most successful technology companies of Europe within scope of EU Framework Programs. The studies on joint EU FP7 projects continue.

Participation to R&D Activities in Europe: Türk Telekom Group represented in 5 events held by European Commission and in the presentations made, group's R&D studies introduced to the participants. Furthermore, the group has become the member of 3 European Technology

Platforms in which prominent European technology companies playing active roles. Also contributions have been made to work groups in **ETNO** and **EURESCOM**, that the group still member of these organizations, through these platforms. Within this scope, a multinational **EURESCOM** project completed successfully.

R&D Centers are Available in Two Deep-Rooted Universities

Türk Telekom moved into two deep-rooted universities of Turkey in order to continue its R&D studies **in 2010. In December 2010**, the group moved to **ARI 4** building, having a surface area of 5 thousand 200 square meters, in ITÜ Technocity leased for 10 years. In the building, also **Innova** and **Sobee** conduct activity besides **Türk Telekom R&D Directorate**. In addition, one more R&D center has been opened in another deep-rooted university in Ankara, in ODTÜ (the Middle East Technical University) technocity.

In these centers, coordination of **Türk Telekom R&D Directorate** activities will be provided besides basic R&D studies and development of R&D projects with universities and business partners. In addition, studies will be conducted on joint research projects with European enterprises and institutions. In these centers, establishment of **User Experience Center** laboratories and Incubation Center is planned.

13. VALUE CREATING VALUE: IN-COMPANY TRAINING - TÜRK TELEKOM ACADEMY

TÜRK TELEKOM ACADEMY: SYNERGY IN TRAINING AND DEVELOPMENT MANAGEMENT

Türk Telekom Academy has offered a new insight to training activities of the group with its Synergy Project commenced in 2010, and it also achieved national and international successes. Being the Turkish winner of Informatics Stars e-Conversion contest organized by Turkish Informatics Association in the e-education field, **TT Academy** announced as center of excellence by **United Nations International Telecommunication Union** and has become responsible from **Europe, Commonwealth of Independent States, Middle East and Africa**. **TT Academy** has made great strides in in-company training field both quantitatively and qualitatively, and gave actually 714 thousand 814 hours training in 2010. Therefore, each person received average 27.5 hours training. In 2010, **TT Academy** also made 455 e-trainings having a total time of **89 thousand 654** hours.

Synergy in Training and Development

Türk Telekom Academy has commenced an important project for centralizing training and development management of group companies **in 2010: Synergy Project**. Within the scope of project, besides centralizing trainings, creating synergy among group companies in strategy, budget and cost management fields as well as training and development performance is targeted.

TT Academy developed a four dimensional implementation schedule for realization of **Synergy Project**. Accordingly, establishment of **Türk Telekom Academy Portal** which will be able to give service to all group companies and designed specific to each group company has been decided. Also, **Training Management System (TMS)**, that includes all information access resources and allows automation of training and development processes from a single center, has been put into service. In line with the training and development management process that has been jointly structured by the whole group, a training service agreement management covering all group companies has been planned. Thanks to training and development management, actions to be

taken for transforming intellectual capital of the group into sustainable competitive advantage for the group have been scheduled.

After that within the project scope, **Türk Telekom Academy Portal** was updated in order to give service to all **Türk Telekom Group**. Scheduling of training plans for group companies, their announcement and reporting processes were carried out over **Training Management System (TMS)**, training and development management process was designed, training service agreements updated in order to include all group companies, and training service outline agreements have executed with group companies, **TTNET, AssisTT, Innova, Argela and Sebit**.

TT Academy, ITU's Center of Excellence

Türk Telekom Academy has become the **ITU Centre of Excellence "CoE"** of United Nations **International Telecommunication Union** after the co-operation agreement signed in **May 2010**. Within the scope of this co-operation, **Türk Telekom Academy** has become responsible from **Europe, Commonwealth of Independent States, Middle East and Africa** for the purposes of training human resources in information and communication technologies.

With its title "**ITU Centre of Excellence**" that is first Turkey, **Türk Telekom Academy** has been carrying out necessary activities for establishment of a powerful communication network with other excellent centers and meeting regional training and development needs in co-operation with ITU by undertaking the duty of acting as a communication channel between ITU and the regions that it is responsible from.

In October 2010, **TT Academy** conducted its first regional activity after becoming a Center of Excellence. Having over 25 professional participants from many countries, **Next Generation Networks Seminar** was a 3 three day event.

TT Academy, besides **ITU**, also carries out various co-operation activities in many fields with **ASTD, ECLF** and **ETSI**, and supports group's training and development activities through a national and international co-operation network that ever-grows.

'Value to the Future' Met with University Students

Türk Telekom Academy's 'Value to the Future' project met with university students throughout 2010. Targeting at reaching to young people and preparing them to the future, **Türk Telekom's 'Value to the Future' project** was commenced on 24th November in **Samsun Ondokuz Mayıs University** under leadership of **Türk Telekom Academy**.

Within the scope of the project, general tendency of the students are interpreted by education experts and they tell the students how they will begin to their career after completing their education besides information given related to fields that the students want to direct their interest and energy in order to provide them to choose the best options for them. In the project, besides the events in which **Türk Telekom** executives share their experiences related to their education and business life, also events aiming to give information to students for recent technological developments and future outlooks are scheduled.

Commenced with **Samsun Ondokuz Mayıs University**, the project's other stops in 2010 were **Erzurum Atatürk, Trabzon Black Sea Technical, Kayseri Erciyes, Ankara Middle East Technical Universities**.

Star of e-Education

In 2010, **Türk Telekom Academy** was first elected to top three of the jury listing in the **Informatics Stars e-Conversion Contest** in e-education category, and then included in the popular voting process and at the end, became the winner upon popular votes.

Informatics Stars e-Conversion Contest is an independent organization held by Turkish Informatics Association for the purposes of promoting various web projects that provided conversion in internet or which carried their business structure on the internet besides increasing interest to e-conversion. The contest aims to evaluate successful e-conversion projects under the leadership of a selection committee consisted of specialized and experienced members. In the contest, there are 10 rewards given in the following categories; **e-hr, e-finance, e-marketing, e-news, e-education, e-tr, e-communication, e-trade, e-service and e-health**. By also including popular voting to the contest besides jury evaluation, active participation of internet users at all levels is achieved.

Measurement of Return Project

Türk Telekom Academy has developed a project in order to measure results of trainings that it conducts within the group. Carried out for computing development in executive development trainings **Return on Leadership Development - ROLD** project, besides studies for measurement of internal efficiency and return on training, reviews impact of leadership development on business results in 4 different dimensions. These are **effectiveness, efficiency, productivity and innovation**.

According to the results obtained in the measurements conducted, the contribution provided by **Türk Telekom Academy Top Management Development Program (EDP)** project on leadership development was higher than the average when compared with the results obtained by international companies. These results proved the success of EDP in international scale.

With **Top Management Development Program (EDP)** Program jointly developed with Harvard University, Stanford University, Ashridge Business School and British Telecom, **Türk Telekom Academy** was the only company from Turkey invited to participate in international return on education measurement project this year. In this study, the contribution of the training to resource utilization efficiency, impact on business results, leader productivity capacity and innovation has been computed by use of ROLD (Return on Leadership Development) model. Benchmarks used in the computing study, conducted with participation of prestigious companies in the international arena such as Intel, General Motors, Accenture and Biocon, include executive development program results of the companies participated in the project. According to this study, **Türk Telekom Academy** showed higher performance than average of the participated companies in 3 fields out of four, which were impact on business results, leader productivity capacity and innovation.

Continuing Training Support to Sales Channels

TT Akademi also organized trainings, aiming to give information regarding **Türk Telekom** products, tariffs and campaigns, for individual and corporate sales channels of the group such as dealers, offices and call centers. In 2010, totally 3,193 person/day training were given to 1,744 persons consisted of 602 dealer owners & officials and 1,142 dealer employees through 238 class trainings.

In these trainings, providing contribution to activities conducted for service excellence and increase of customer satisfaction was targeted.

14. MACROECONOMIC OUTLOOK

2010: Decoupling of developed and emerging economies during the post-crisis era

After the year 2009, which was overshadowed by the global crisis, 2010 was a year of recovery. Developed economies showed slow and stable improvement, while strong growth rates were observed in emerging economies. This trend of decoupling is expected to continue in 2011.

According to the IMF forecasts 2011 GDP growth rate would be 2.8% in the US, 1.4% in Japan, 1.6% in the Euro area, 2.5% in the developed economies, 4.7% in G20 economies excluding the EU, 9.6% in China, 8.4% in India, 6.2% in Indonesia, and 6.5% in the developing economies. Within this framework, the world growth rate is estimated as 4.4% in 2011.

On the other hand, high budget deficits, debt stocks, unemployment rates, and weak growth performances in the developed economies increase these economies' vulnerability and thus, contribute to the uncertainties regarding the global economy.

Growth will slow down

After the contraction of 4.8% in 2009, the Turkish economy grew by 8.9% in 2010, which is the highest annual growth rate since 2004, thanks to the solid consumption and investment spending.

In 2011, the GDP growth rate is projected to slow down with the reversed base effect. The Government targets a 4.5% growth rate according to the Medium Term Program published back in October 2010. Despite the uncertainty regarding the external demand outlook, domestic demand is expected to preserve its strength (consumption and investment spending to increase further) and contribute to growth. For Turkey, OECD expects a GDP growth rate of 5.3% in 2011, while the World Bank and the IMF estimate GDP growth rate as 4.1% and 4.5% respectively. Therefore, it would be safe to say that the Turkish economy may grow around 4.5-5.5% levels in 2011. The recent civil unrests and their impact on oil prices may pose threats to the realizations of these forecasts.

The unemployment rate at high level

Based on the year-average, the unemployment rate eased down from 14.0% in 2009 to 11.9% in 2010 with the recovery in the economic activity and improvements in labor market conditions. As per the Central Bank, the unemployment rate will remain higher than its pre-crisis levels for some time and continue to contain unit labor costs. The Government forecasts the 2011 unemployment rate as 12.0%.

Inflation in line with the target

The annual CPI inflation closed 2009 at 6.5%. In the first quarter of 2010, CPI inflation rose to 9.6% with the tax arrangements on fuel products, alcoholic beverages, and tobacco as well as with the sharp increase in unprocessed food prices. In the second quarter, CPI inflation slowed down to 8.4% with the fall in the services and unprocessed food inflation combined with the energy prices following a flat trend. However, in the third quarter, the CPI inflation rose to 9.2% mainly due to the elevated unprocessed food prices. The CPI inflation closed 2010 at 6.4%- in line with the year-end target of 6.5%- with the downward correction in unprocessed food prices.

In 2011, the course of food, energy, and other commodity prices as well as demand conditions and exchange rate developments will have a significant impact on the inflation outlook. Official year-end inflation target for 2011 is 5.5%, while inflation forecast announced in the Medium Term Program and the Central Bank's latest inflation forecast introduced in the January 2011 Inflation Report stand at 5.3% and 5.9% respectively.

First policy rate cut since November 2009

2010 was an important year for the monetary policy. Taking the liquidity shortage into account, the Central Bank didn't change the borrowing and lending interest rates for overnight transactions in May but within the technical interest rate adjustment process, the Bank declared the interest rate for one-week repo auctions as the new policy rate and determined it as 7.0%, by adding 50 bps to the overnight borrowing interest rate.

In September, as the liquidity shortage increases, the second step of the technical interest rate adjustment process became operational and the Central Bank reduced the overnight borrowing and lending interest rates from 6.5% and 9.0% to 6.25% and 8.75% respectively. In other words, the Bank increased the difference between the one-week repo auction rate and the overnight borrowing interest rate.

In October, the overnight borrowing interest rate was reduced from 6.25% to 5.75%, while the overnight lending interest rate was kept on hold at 8.75%. In November, the Central Bank decided to lower the overnight borrowing interest rate from 5.75% to 1.75% and to keep the lending interest rate constant at 8.75%.

In December, the one-week repo auction rate (the policy rate) was reduced from 7.0% to 6.50% and the overnight borrowing interest rate was lowered from 1.75% to 1.50%, whereas the overnight lending interest rate was raised from 8.75% to 9.0%. The Central Bank emphasized the divergence between domestic and external demand growth and the rapid credit expansion, which in turn, increase the current account deficit and contribute to the risks regarding financial stability. Furthermore, as per the Bank, recent developments and monetary policy decisions in the European and US economies exacerbate these risks. In this regard, the Bank decided that a lower policy rate, a wider interest corridor, and higher required reserve ratios would serve as an effective policy mix. The Bank also underlined that the net impact of these measures on the monetary conditions will not be expansionary.

The current account deficit on the rise

With the decline in exports and imports and lower commodity prices, all thanks to the global crisis, the current account deficit narrowed down to US\$ 14.0 bn (2.3% of GDP) in 2009, which is the lowest reading observed since 2004. In 2010, however, the picture turned upside down with robust domestic demand, elevated commodity prices, and the weakness in external demand, and the current account deficit broadened to US\$ 48.6 bn (6.6% of GDP).

According to the Medium Term Program and based on the 2010 forecast of US\$ 39.3 bn, the Government's current account deficit target for 2011 is US\$ 42.2 bn (5.4% of GDP). Still, under the assumption that domestic demand will maintain its strength, the uncertainty regarding external demand will prevail, and energy prices will rise, it would be safe to say that the current account deficit will remain high in 2011 and close the year around US\$ 50-55 bn levels (around 7% of GDP).

Fiscal discipline and lower budget deficit

In 2009, which was a year overshadowed by the global crisis, total revenues, especially tax revenues, decreased, while the Government's measures to revive the economy resulted in higher expenses. Consequently, in 2009, budget deficit reached a record high with TL 52.8 bn (5.5% of GDP), while primary surplus was a mere TL 0.4 bn.

In 2010, strong performance was recorded in tax collection and thus, on the revenue side, with the recovery in the economic activity, whereas expenses were put under control thanks to the

fiscal discipline. For 2010, the Government's revised forecasts were TL 44.2 bn budget deficit (4.0% of GDP) and TL 5.3 bn primary surplus (0.5% of GDP). The 2010 central government budget performance turned out to be better than anticipated, as TL 39.6 bn budget deficit (3.6% of GDP) and TL 8.7 bn primary surplus (0.8% of GDP) were recorded.

The central government budget performance is expected to improve further in 2011. Under the assumption that revenues will rise further and the rise in expenses will be kept under control, for 2011, TL 33.5 bn budget deficit (2.8% of GDP) and TL 14.0 bn primary surplus (1.2% of GDP) is forecasted.

According to the IMF forecasts, the 2011 budget deficit/GDP ratio will be 10.8% in the US, 9.1% in Japan, 4.7% in the Euro area, 7.0% in the developed economies, 6.3% in G20 economies excluding the EU, 2.1% in China, 9.2% in India, 1.4% in Indonesia, and 2.3% in the developing economies.

Debt stock; positive outlook

As a ratio to GDP, the EU defined general government nominal debt stock, which is calculated within the framework of Maastricht Criterion, was in downward trend between the years of 2002-2007. During that period the EU defined debt stock/GDP ratio fell from 73.7% to 39.4% and then, followed a flat trend in 2008 with 39.5%. In 2009, the EU defined debt stock/GDP ratio accelerated to 45.5% due to the global crisis. In 2010, the debt stock/GDP ratio declined to 41.6% thanks to the fiscal discipline. More importantly, Turkey has been complying with the Maastricht Criterion since 2004, as the debt stock/GDP ratio remained below 60%.

According to the Medium Term Program, the Government estimates the debt stock/GDP ratio as 40.6% in 2011.

Developments in Turkey's credit rating in 2010

The first rating upgrade came from Moody's. In early January, Moody's raised Turkey's credit rating from "Ba3" to "Ba2", while assigning the outlook as "stable". This upgrade reflected growing confidence in Turkey's financial shock-absorption capacity. The second rating upgrade came from S&P in mid-February. The agency raised Turkey's credit rating from "BB-" to "BB" and revised the outlook from "stable" to "positive". As per the agency, the upgrade reflected lower debt burden and stable financial sector.

In early October, Moody's revised Turkey's rating outlook from "stable" to "positive". The agency stated that the Turkish economy showing an unexpected robustness and recovering to the pre-crisis levels combined with Turkey's economic and fiscal resilience led to this revision. Finally, in late November, Fitch revised Turkey's rating outlook from "stable" to "positive", reflecting the country's recovery from the crisis, improvements in public finances, and increasing confidence.

The common view is that Turkey's credit rating may be upgraded after the general elections scheduled in June 2011. However, an earlier than envisaged upgrade should not be taken as a total surprise since Turkey's strong macroeconomic indicators and solid financial sector pave the way for an upgrade.

15. TÜRK TELEKOM GROUP AND TURKISH TELECOM SECTOR OUTLOOK

Türk Telekom Group

Türk Telekom Group provides integrated telecommunications services from fixed-line and GSM to broadband internet services. Türk Telekom group of companies has 16 million fixed line, 6.7 million ADSL line (wholesale) and 11.6 million GSM subscribers as of December 31, 2010. The

company provides a large profile of services to its individual and corporate customers in Turkey with its modern network infrastructure spread throughout the country.

Owning shares of 99.9% at its companies; broadband operator TTNET, convergence technologies company Argela, IT solutions provider Innova, online education software company Sebit, online gaming company Sobee and customer services and call center company AssisTT besides owning 100% of the shares in its wholesale data and capacity service provider company Pantel International AG and subsidiaries of Pantel, Türk Telekom also possess 81.4% shares at Avea which is one of the three GSM operators in Turkey. In addition to that, Türk Telekom has indirect minority shares at Albtelecom which is the incumbent telecom operator based in Albania.

Türk Telekom's shares are owned by Oger Telekomünikasyon A.S. by 55% while 30% of its shares belong to Turkish Undersecretariat of Treasury. The remaining 15% of shares have been offered to the public (TTKOM). Türk Telekom's shares are traded in IMKB (Istanbul Stock Exchange Market) since May 2008.

Has taken an important step for positioning itself as a communication bridge in the region by taking advantage of the unique geographical position of Turkey, Türk Telekom acquired Invitel International in 2010. Invitel International is among the leader independent wholesale data and capacity provider companies in the region thanks to its fiber optic network giving service in 19 countries. Türk Telekom Group will improve its regional position as a connection center by providing increased data / broadband traffic in the Middle and Eastern Europe Region and the data / broadband traffic connecting Turkey, Middle East and Asian markets to the West Europe and America due to acquisition of Invitel International whose name was changed as Pantel after joining to the Group.

In addition, Türk Telekom Group has provided a great contribution to turn Turkey into a communication bridge between Asia and Europe by undersigning another big project in 2010. Thanks to JADI LINK project, the first step has been taken for establishment of an integrated giant multi-pass fiber optic network between the Middle East, South Africa and Far East. Brought into being thanks to the co-operation between Türk Telekom (Turkey), Saudi Telecom Company (Saudi Arabia), Jordan Telecom Group (Jordan) and Syrian Telecommunication Establishment (Syria), the project turn Turkey into a door opening to the world. In intercontinental internet, data and voice transmission, JADI LINK, which has a total fiber optic line length of 2,530 kilometers, is the second most significant connection corridor to be linked to the USA by submarine fiber optic cable systems starting from Singapore, Japan and India and following the Indian Ocean-Red Sea-Suez Canal-Mediterranean route and finishing in Italy, France, Spain and the UK. Realized by using the existing fiber optic infrastructure, the project serves to many purposes form providing a completely terrestrial, unique and short route as an alternative to the Mediterranean and the Red Sea corridors, meeting the rapid increase in demand on intercontinental capacity services, providing an additional capacity from Istanbul to Europe and beyond, and from Jeddah to the South Asia and beyond.

One of the most significant features of Türk Telekom that differs it from other incumbent operators is its regional power and advanced infrastructure. Türk Telekom is one of the most successful operators among its international peers when the number of personnel per line is considered and it is leader fixed line operator of Turkey. Top management of Türk Telekom consists of executives competent in their fields with sector based and international experience.

In the forthcoming period, significant growth opportunities will be available both in fixed line and mobile line fields. Especially, ever-growing importance of internet and increase of data use today mean a big potential for both fixed-line and mobile data services. Türk Telekom will continue its regional strategy that it improved with Pantel and JADI Link agreements with similar projects. In

addition, its leadership in convergence field will give it the opportunity to undersign many innovations in this field. Türk Telekom Group will continue to increase quality of the services it offered to its customers by focusing on group synergy more intensely.

Strategic Priorities

Türk Telekom targets to continue its leadership in telecommunications and service market by adding value to the convergence services and to become the main communication provider in the region. Providing communication efficiency at most affordable prices by taking into account needs of our customers in their individual, social and business lives and guaranteeing their access from any device to any information are our basic focuses.

Our strategies for accomplishment of these goals are:

- Boosting household communication through integrated product portfolio and services
- Using our fixed assets more effectively in order to improve our position in the mobile market
- Diversifying our revenue portfolio by entering into the digital media and informatics field
- Ensuring development and growth of internet service through innovative products, price plans and by entering into under-reached markets
- Providing our customers always a high quality service experience in order to increase customer lifetime value effectively .

In line with our estimations related to future, we will continue our convergence strategy also in the next years. A future in which contents in entertainment, education, health and other fields, where technology will become more convergent, will be offered in a more digital environment is waiting for us. While keeping pace with the technology, Türk Telekom is going to be offer services to be needed in the digital world over convergence platform. As Türk Telekom, we lay foundations of this future with our continuing investments in line with our current convergence strategy in the most powerful way.

These initiatives are the indicators showing that we forge ahead of being an effective player of the telecommunications industry in our region. Thanks to the co-operations we realize with technology and telecom companies in various countries, Türk Telekom will continue to gain strength in its region.

Our Company offers higher added value products to its customers in order to prevent flee of fixed line traffic into the mobile communication. In addition, as Türk Telekom Group, we continue to stand next to our customers in every field of the life. We continue to offer innovative products and services such as internet TV, and we more focus more intensely on export of such products and services. Our determinedness for allowing our customers to have always better experiences in communications sector will guide direction of our innovative projects.

Sector and Competition

On the other hand, telecommunications sector has some risks. In recent years, it has been observed that fixed-line use decreases while mobile line use increases. This tendency is also true for our country. In 2009, price wars between the mobile operators, started especially after the third quarter of 2008, in the mobile communication market which still continues affected negatively fixed-line voice traffic and fixed-line phone use.

Türk Telekom Group has taken the necessary precautions in this regard, and it continues its investment without interruption both in fixed-line and mobile fields. In 2010, Türk Telekom

succeeded in stopping the decrease in the average communication time (MoU) when compared to the previous year owing to the new tariffs and campaigns offered to the market and extensive tariff adjustments, and provided an increase in this figure by 1%. Consequently, a more severe decrease in fixed-line traffic share in the total voice traffic was prevented. Furthermore, our company offered its customer higher added value products for improving its competitive strength in the market. At the fixed-line side, added value products we offered under Nowhere Like Home concept and Home Advantage tariffs attracted great interest. Innovative products offered positively affected financial performance shown by our company in 2010.

In 2010, at the broadband internet side, our company continued to apply positive price discrimination to ISS in order to allow growth of the market, make familiar with internet all individuals in our country and facilitate their Access to internet. Continued its investments not to fall behind in the competition, our Company made an investment in an amount TL 1,3 billion in 2010 for offering its fixed voice and data activities to the customers in an enhanced way. In 2010, uptrend in the number of ADSL subscribers continued when compared to the previous year. As of year end, nearly 800 thousand subscribers utilized our high quality internet services that are enriched with Web TV service Tivibu offered to the market in February 2010. Furthermore, we aim to grow ADSL market by offering added value products to our customers.

In mobile communication market, competitive environment conditions still exist. In 2010, our subsidiary AVEA, focused on profitable growth and has achieved a considerable success. Increased its net operating profit before interest, tax, depreciation and amortization five-fold when compared to previous year by offering its customers innovative products, tariffs and solutions, AVEA will continue to focus on profitable growth in 2011.

Turkish Telecommunications Market

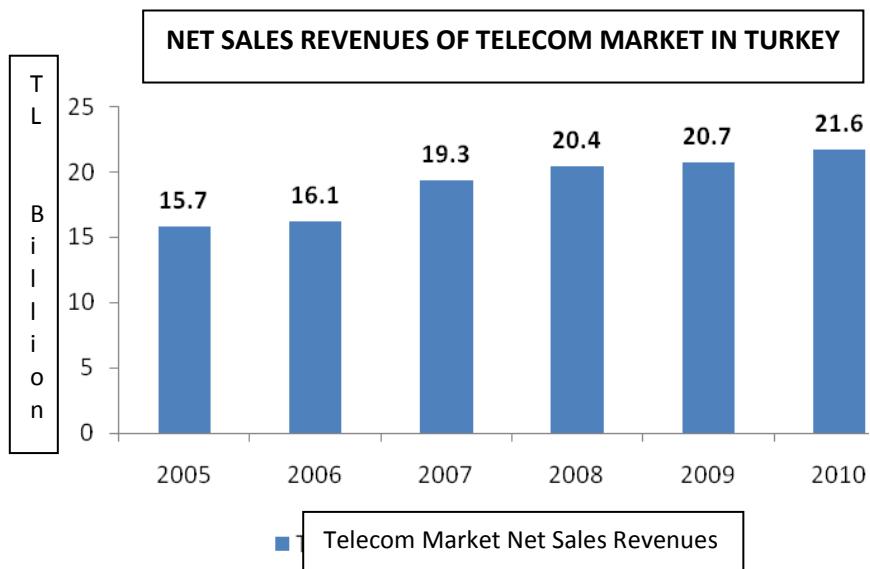
In preparation of this section, sector reports of Information Technologies and Communication Authority (BTK) have been taken as reference.

Turkey has came out of the last global financial crisis with less losses thanks to its strong economy and financial system. Even though growth of many sectors, including communications, has slowed down due to financial crisis, signals pointing to economic recovery started in the second half of 2009 have become more evident in 2010, and consequently this gives positive signals regarding improvement of telecommunications sector in the next period.

Turkey is one of the most important and fastest growing markets in its region thanks to its young population and demography, developing economy, modern network infrastructure covering all country and continuing infrastructure investments. Upward trend in Turkey's population and household number outstands as a factor that creates new opportunities for the telecommunications sector.

The idea of providing better quality services at more affordable prices and offering package services to the market came into prominence due to the circumstances developed in the sector after privatization, such circumstances also allowed companies to make more investments.

Depending on the regulations made in Turkish telecommunications market in the recent years the number of operators has been increased and a significant size has been attained in the number of mobile and broadband subscribers. When development of total revenues is reviewed on annual basis, an increase in revenues, especially revenues from mobile telecommunications services in advance, is seen. Within this context, Türk Telekom's and mobile operators' total net sales revenues increased by 4.7% yoy and realized as TL 21.6 billion as of end of 2010.



PSTN Services

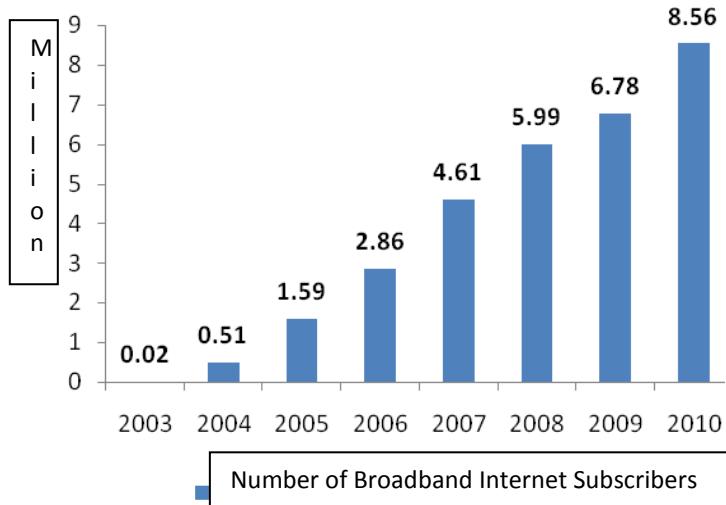
Turkey is among the leader countries in the field of PSTN infrastructure. As of end of 2010, penetration rate in Turkey, where almost 16 million fixed-line subscribers existed, is around 22%. However, when the fact that average household size in Turkey is around 3.97 is taken into account, it is convenient to say that access to a significant portion of people living in Turkey has been achieved in fixed-line services.

One of the most important developments of 2010 was Home Advantage packages that Türk Telekom started to offer to its millions of customers. Thanks to Home Advantage packages, our customers had the opportunity to make 100, 200, 300 minutes inner-city and intercity calls each month for a constant fee. Especially, campaigns such as free from 7 pm to 7 am and GSM calls at reduced price were offered to use of our customers. In 2010, Türk Telekom achieved an upward tendency in monthly average conversation time which had an declining tendency in the last few years, and increased this time to 111 minutes. As of end of 2010, share of Home Advantage packages in total customers increased over 35%.

Access to Internet and Broadband Investments

A substantial increase has been seen in the number of broadband subscribers in the recent years, and this number, which was only 18,604 in 2003, has increased by around 460-fold within seven years, and reached to 8.7 million as of end of 2010. In the fourth quarter of 2010, internet subscription in Turkey is almost up by 6.3% yoy; general upward trend in the number of internet subscribers continued depending on the increase especially in fiber, mobile and cable internet subscribers. Annual growth of total number of internet subscribers was realized as 27.9 %.

When the distribution of broadband internet subscribers in Turkey by operators is considered; market share of alternative operators was realized as 6.3% while TTNET's market share was realized as 71% as of end of 2010. The rest of broadband connection types were mobile, fiber, cable and other methods.



The primary platform used in broadband access services in Turkey is copper cable network, and it is followed by mobile broadband internet. Cable TV platform, satellite and fiber are also used for internet access at limited levels. When the distribution of subscriptions by types of broadband internet access is considered; it is seen that DSL is preferred more than other technologies.

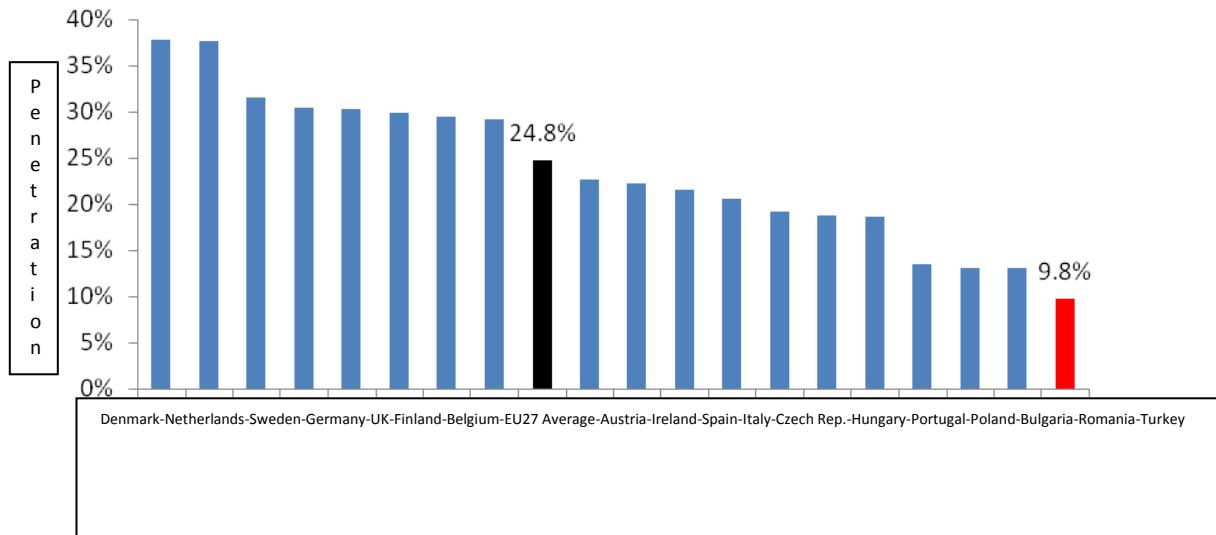
The investments made by Türk Telekom since 2005 caused deployment of xDSL service providing and thus, the number of ADSL subscribers increased from 450 thousand levels to 6.7 million within five years. As a result of migration to ADSL from dial-up and cable internet connection, ADSL has become the most common internet access method. As of end of 2010, 93.5% of fixed broadband subscribers in Turkey was using xDSL while EU average realized as 79% as of January 2010.

The minimum speed of ADSL and Cable Internet services used in Turkey for broadband internet access is around 512 kbyte/s. In the last quarter of 2010, total fixed broadband internet use (uploading and downloading) was almost 293,000 TByte. The distribution of this figure was; around 88% data downloading and 12% data uploading.

It is seen that almost 64% of ADSL subscribers prefer 8 Mbps connection package while 26% prefer package with 1 Mbps speed. The number of subscribers using other limited and limitless packages is very low.

After the regulations made by BTK in 2010, naked ADSL service started. The users can use this service for a certain access fee.

The upward trend in computer use and ownership in Turkey creates an opportunity for fixed Ü broadband market. According to the report of BTK, and based on the data belonging to 4th quarter of 2010; fixed broadband penetration rates in Turkey by population and household were 9.8% and 38.9%, respectively. On the other hand, the European Union averages for the same rates were realized as 24.8% and 48%, respectively.



The studies concerning WiMax licenses still in the work plans of BTK; WiMax is a wireless broadband technology offering high speed internet connection.

Being the leader in wholesale and retail internet access services, Türk Telekom continued broadband investments in 2010 and took important steps in this field.

The group company TTNET has offered many innovations that will increase quality of internet experience of the users to the market. In this regard, the share of ADSL NET package offering speeds up to 8 Mbps, which was put into service in 2009, in the total number of subscribers was over 60 percent as of end of 2010.

TTNET continued to offer 3G mobile internet as a supplementary service for DSL customers also in 2010.

It broke a new ground in Turkey in 2010 and offered to our customers daily internet service having different options.

TTNET also continued studies related to extending of Wi-Fi coverage areas within the year. There are over 8,000 Wi-Fi access points providing wireless internet access all over Turkey, and TTNET continues these investments.

TTNET always enriching the content by adding new services to the added value services, it gives for its customers. The interest shown in TTNET Music, Video and Game Portals continued and increased in 2010.

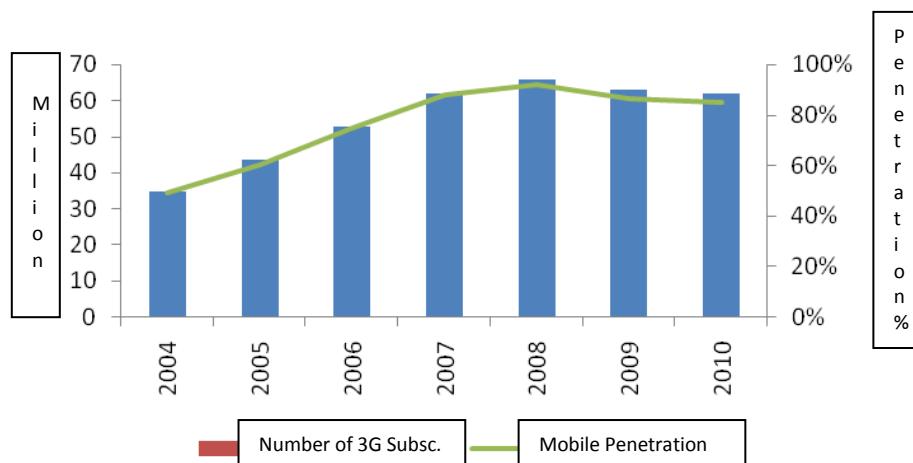
In 2010, TTNET Mobile service offered to our customers thanks to co-operation between Turkey's leader internet provider TTNET and Avea. Under TTNET Mobile brand, mobile call, 3G mobile internet, messaging services besides product packages also including TTNET products are put up for sale. From TTNET Mobile advantages, current TTNET internet subscribers and their families can benefit besides potential TTNET customers who are willing to utilize from these advantages.

Web TV service of TTNET, Tivibu was put into service in 2010. Tivibu service provides access to many foreign and domestic films over internet. At the same time, it is a platform that includes many different types of videos such as films, TV series, lifestyle & entertainment, documentaries and children's. It has almost 800 thousand subscribers as of end of 2010.

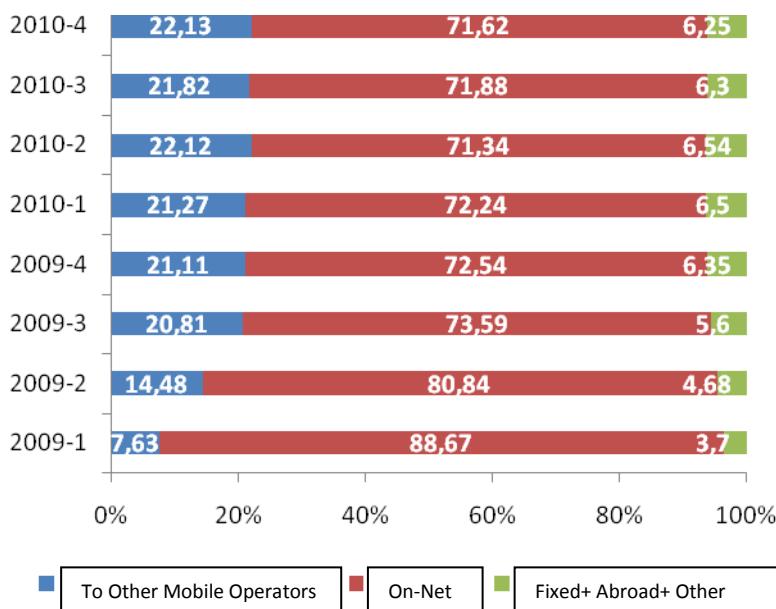
Mobile Communications

Türk Telekom offers mobile communication services together with the group company Avea, in which it owns the 81.37 percent of the shares. Established in 2004 and the youngest operator in the sector, Avea has a market share of 18.8% in the mobile communications sector where 3 licensed operators conduct business activities with its 11.6 million subscribers. Established its strategy on increasing profitability in 2010, AVEA increased its Net Operating Profit before Interest, Tax, Depreciation and Amortization 5-fold compared to last year and reached 13% EBITDA margin. AVEA, Turkey's making people to speak most mobile operator with 263 minutes monthly average conversation time, AVEA's share in the total mobile conversation traffic was 23% as of 2010.

According to 2010 ,fourth quarter report of BTK, as of 2010; there were totally 61.8 million mobile subscribers in Turkey, corresponding to a penetration rate of 85.1%. It is seen that the number of mobile subscribers and penetration rate, which was following always an upward trend in previous years, has decreased when compared to 2009 year-end results. It is reviewed that the reversing of upward trend in the number of subscribers resulted from cancellation of second subscriptions by the users due to "all directions" tariffs offered by operators after telephone number portability. When the mobile subscribers profile evaluated, it is seen that nearly 69% of mobile subscribers consisted of prepaid subscribers as of end of 2010, and within last one year, the rate of postpaid subscribers increased from 25.3% to 30.9%. Besides these, the number of 3G subscribers reached to 19.4 million as of end of 2010 after starting of 3G service offering in July 1009.



In mobile communications market, off-net traffic having a market share of 10% in 2008 increased to 28% in 2010 thanks to "all direction" tariffs that became wide-spread due to increased competition and decrease in interconnection fees.



One of the most significant developments in the sector in 2010 was the decision of BTK; pursuant to this decision which would take effect on 1st April 2010, average 52% discount in mobile call completion fees and average 38% discount in off-net maximum fees have been made and TL based pricing system in prepaid mobile lines has been started.

Regulating Authority and Sectoral Regulations

Telecommunication sector, in which Türk Telekom Group operates, is subject to extensive regulations.

Telecommunications activities in Turkey are arranged under Electronic Communications Law No. 5809, which entered into force on 10th November 2008. The purpose of the law is to foster effective competition in the electronic communications sector through regulation and control, to protect consumer rights, deploy services throughout the country, encourage effective and efficient use of resources, and to promote the communications infrastructure and network, besides technological development and new investments in the services area, and additionally to determine the principles and procedures related to the above-mentioned subjects. The conducting of electronic communication services, and the establishing of an electronic communication infrastructure and network, the manufacture, import, sale, installation and operation of all types of electronic communication devices and systems, in addition to the planning and allocating of all limited resources, including frequency, and the regulatory, authorization, control and reconciliation activities are subject to this law.

Information and Communication Technologies Authority (ICTA) which is the regulating authority in the sector, was established in January 2000 under the name Telecommunication Board with administrative and financial autonomy; the board started operation in August 2000 and the name of the board was changed to its current name with the Electronic Communication Law that became effective on 10 November 2008.

Within the scope of this law, ICTA has the following authorities and responsibilities.

- Within the framework of the general principles defined in the Radio Law and Telegraph and Telephone Law, preparing the required plans in the telecommunications area and presenting them to the Ministry of Transportation and supervising the related operations of the concerned institutions and establishments as well as real and legal personalities;

- Observing the developments in technology of the telecommunications area in cooperation with the universities and manufacturing establishments; providing support for domestic production and for participation in international activities concerning the telecommunications area;
- Observing, controlling, examining and evaluating the implementations, required by laws, and present information to Higher Board of Communications as may be required by the Ministry of Transportation.
- Any type of frequency planning, conducting the allocation and registration procedures, considering the capacity and broadcast periods, in cooperation with international institutions.
- Implementing the procedures required for unlawful, illegal broadcasts and interferences,
- Giving opinions on the concession contracts to be signed for telecommunication services and/or infrastructure concerning the capital companies established in Turkey and on telecommunication licenses to be issued by the Ministry of Transportation; making proposals to the Ministry on the preparation of general permissions; inspecting the implementation of provisions and conditions of the said concession agreement and telecommunication licenses and their conformity with the general permissions; taking the required measures;
- Defining the general criteria on price tariffs, contract provisions and technical issues to be implemented for the users of the telecommunication services and infrastructure, and other operators for their use of interconnections between the telecommunication networks; examining, evaluating the tariffs, confirming the required documents and observing their implementation;
- Ensuring that, with respect to telecommunication services and infrastructure operators, those engaged in commercial activities, in the provision of services, in the operation of infrastructure and in the manufacture and sales of various telecommunication equipment and tools can carry out their services and activities in conformity with the laws in a fully competitive environment and taking encouraging measures.
- Defining and implementing the performance standards considered as a basis for manufacturing and using while cooperating with national and international institutions concerning the systems and equipment to be used in the telecommunications area and considering the latest developments;
- Issuing regulations on issues related with its area of telecommunication services and infrastructure operation, and performing other administrative transactions; inspecting the operators, subscribers and all real and legal personalities affecting the Turkish Telecommunication sector with respect to their conformity with the related legislation; notifying the concerned bodies and imposing sanctions when required;
- Defining the procedures and principles regarding the establishment of common antenna system and facilities in order to ensure that all broadcasts, including radio and TV, are made from previously defined points of emission;
- Defining, changing, allocating or canceling the prices mentioned in Article 27 of Radio Law, provided that the reevaluation rate defined each year by the Ministry of Finance is not exceed; confirming the annual budget, final income and expense account and annual

operation plan of the Authority; making transfer between the budget accounts and making the decision to transfer the excess revenue to the general budget upon demand;

- Examining the issues concerning the provision of telecommunications services and operation of infrastructure as well as examining the conducts, plans and practices contradicting with competition in these services and telecommunications sector in its own capacity or upon complaints; demanding the information and documents in its area of authority;
- Before the publication of regulations concerning the telecommunications services and infrastructure, taking the required measures to allow for the related parts to deliver their opinions and make comments before they are published;
- Taking required measures to protect the consumer rights;
- Delivering opinions on all decisions of the Competition Authority, including the decisions concerning the examinations and inspections to be made on the telecommunications sector as well as company mergers and takeovers;
- Defining the conformity of the telecommunications facilities to the principles mentioned under Article 2(a) of the Law No.406 and defining the procedures and principles to be applied if any interconnection is required; establishing the conformity of the equipment in use to the related standards and ensuring that non-conforming equipment is taken out of use;
- As Turkish Telecom's right of monopoly has ended, deciding whether it is appropriate for the capital companies other than Turkish Telecom to provide telephone services, including the national and international sound transmission, through telecommunication networks;
- Taking the required measures to ensure that the terms of the contracts signed between the Ministry and operators, including Turkish Telecom, as well as the terms of the telecommunication licenses are applied; observing and inspecting whether the activities are carried out in accordance with the related legislation and concession contract, telecommunications license and general permission terms; and imposing an administrative fine reaching the 3% of the previous year's turnover of the operator in case of non-conformity.
- Delivering opinion to the Ministry on whether the authorization will be made through concession contract, telecommunication license or general permission and how and on which terms it will be made as well as the application and authorization procedures and principles;
- Giving the advisory opinion, in case the operators or those willing to provide a telecommunications service, point out that the conditions for authorization are not defined and make a demand from the Ministry for the establishment of the related conditions and in case the Ministry deems that such an establishment is required;
- Preparing a report listing the telecommunication licenses, issued by the concession contracts annually signed within the scope of the information provided by the Ministry, as well as general permissions and in which the types of related services are defined;
- Delivering opinion on the regulations to be issued by the Ministry for the terms and principles concerning the implementation of Article 3 of Law No.406, on the requirements

for the operators and terms related with signing of a concession contract for a certain telecommunication service, issuing of telecommunication service license or general permissions;

- Defining the principles, rules and requirements concerning the provision of special programs with economic advantages for the users;
- Delivering opinion to the Ministry on the membership of operators as well as real or legal personalities of the telecommunications sector in the international telecommunication institutions and their being parties to the international contracts which require the representation of the Republic of Turkey as well as Turkish telecommunication sector and on their use of rights, authorities and obligations arising from such contracts;
- Defining the operators having an interconnection responsibility as per the regulation to be published;
- Public announcing of these agreements provided that the contracts to be made by operators for the provision of interconnection among networks are pursued and required measures are taken to ensure that the trade secrets of the parties are kept,
- In case the interconnection agreement is not concluded within a maximum of three months starting from the time of the first demand, applying the conciliatory procedures between the parties within the scope of the principles to be defined by the Authority considering the public benefit, upon the demand of party for interconnection; and defining the provisions, terms and prices deemed appropriate for the interconnection agreement in case the parties cannot reach an agreement;
- Defining the service and infrastructure operators responsible for roaming demands within the framework of the provisions of Article 10 of the Law No. 406 and to apply to the Competition Authority within these provisions;
- Publishing standard interconnection reference charges that may be reasonably included in the standard provisions and requirements of the related operators and to make changes on these charges, if required.
- Issuing the regulations that include the implementation terms of Article 10 of the Law No.406 and the details that bind the interconnection and roaming agreements;
- Taking measures to ensure that agreements, concerning the standard reference tariffs, network interconnections and roaming, do not have results that prevent free competition in the provision of telecommunication services and operation of infrastructure; and to refer to the Competition Authority within the scope of the provisions of Law No. 4054 dated 7.12.1994, if required;
- Establishing the method and procedures that Turkish Telecom and other operators will use as per the provisions of Article 2 of Law No.406 within the framework of a regulation;
- Making the arrangements concerning the operators' provision of telecommunication services and/or charges that they may take in return for infrastructure operation;
- Defining the calculation methods and upper limits of the charges, including the line and circuit rentals in the following cases:

- In case there is an obligation to cover the costs of some services with the costs of other services of Turkish Telecom or another operator, including the minimum services that it is obliged to provide as per the principles of public service;
- In case it is determined by the Authority that an operator is a legal or actual monopoly or it has a dominancy in the related service or regional market;
- In case it is determined that the charges are defined by procedures and actions contradicting the regulations of the Authority;
- In cases to be defined by the Authority's regulations, reasonably and without any discrimination;
- Performing other tasks and authorities, as required by laws.

16. IMPORTANT DEVELOPMENTS AFTER THE PERIOD

Change in Audit Board

Audit Board of our Company decided to accept the resignation of the member of our Audit Board Ass. Prof. Tuna Tuğcu, assign Lütfi Aydın for the vacant Audit Board membership as per article 351 of the Turkish Commercial Code and offer this assignment to the approval of shareholders in the first General Assembly to be held. Mehmet Habib Soluk have resigned from his position.

Change in Board of Directors

Board of Directors of our company decided to accept the resignation of our Board of Directors member and Chairman of Audit Committee Samir Asaad O. Matbuoli from his position as member of Board of Directors and Head of Audit Committee, assign Ghassan Hasbani for the vacant Board of Directors membership as per article 315 of the Turkish Commercial Code and offer this assignment to the approval of shareholders in the first General Assembly to be held; and assign our Board of Directors member Ghassan Hasbani as the new Chairman of Audit Committee.

Start of Collective Labor Agreement negotiations

Opening meeting for 9th Period Collective Labor Agreement signed between our Company and Turkish Communication Workers Union held on 11 March 2011 at 11.00 am in Ankara Head Quarters Cultural Center of our Company.

Resigning Board Members

Three of our Board Members representing Turkish Treasury shares in our Company, Mehmet Habib Soluk, Ali Ariduru and İsmet Yılmaz have resigned from their positions. Election for the vacant seats will be made as per Article 315 of Turkish Trade Law and be announced later.

Agenda of Ordinary General Assembly Meeting

Board of Directors of our Company decided to hold 2010 Ordinary General Assembly Meeting on 25 April 2011 at 14.00 in Ankara Head Quarters Cultural Center of our Company in order to discuss the following agenda:

1. Opening and Election of the Chairmanship Committee;
2. Authorizing the Chairmanship Committee to sign the minutes of the General Assembly Meeting, and the List of Attendees;
3. Reading the Board of Directors annual report for the year 2010;
4. Reading the Statutory Board of Auditors annual report for the year 2010;
5. Reading the summary reports of the Independent Audit Company for the year 2010;
6. Reading, discussing and approving the balance sheet and profit/loss accounts for the year 2010;
7. Temporary appointments made by the Board of Directors to the Board of Directors for the positions became vacant because of resignations shall be submitted to the approval of the General Assembly as per Article 10 of the Articles of Association of our Company and Article 315 of the Turkish Trade Law and under the same conditions in order to be valid as of the appointment date; and the membership of the elected members shall be approved as of the appointment date for the remaining office of the Board of Directors;
8. Temporary appointment made by the Statutory Board of Auditors to the Statutory Board of Auditors for the position became vacant because of resignations shall be submitted to the approval of the General Assembly as per Article 351 of the Turkish Trade Law and under the same conditions; and the membership of the elected members shall be approved as of the appointment date for the remaining office of the Statutory Board of Auditors;
9. Releasing the Board Directors for operations and transactions of our Company during 2010;
10. Releasing the Statutory Board Auditors for operations and transactions of our Company during 2010;
11. Discussing and resolving on the proposal of the Board of Directors about distribution of the profit generated in 2010;
12. Resolving on signing an agreement with Güney Bağımsız Denetim ve SMMM A.Ş., the independent audit company with which our Company is currently working, for the purpose of auditing our Company's operations and accounts for the year 2011, as per Article 14 of the Regulation on Independent External Audit in Capital Markets published by the Capital Market Board and Article 17/A of the Articles of Association of our Company;
13. Defining the salaries of the Board Directors and Statutory Board Auditors;
14. Informing the Shareholders about the dividend distribution under the Corporate Governance Principles;
15. Reading the written explanations of the Independent Audit Company about the compliance of the financial statements and other reports with the standards, the accuracy and precision of the information, and that the independence of the audit company is not affected in any way in relation to the services it delivers to our Company or its subsidiaries, under the Corporate Governance Principles;
16. Informing the General Assembly about donations and aids made during 2010;
17. Informing the General Assembly about transactions made during 2010 with associated parties and their valuations as per Article 5 of the Communiqué Serial IV No. 41 of the Capital Market Board and about the implementation of IFRIC 12;
18. Discussing and voting for authorizing the Board of Directors or person(s) designated by the Board of Directors for company acquisitions to be made by our Company or its

subsidiaries during 2011 up to 300 million Euro which will be separately valid for each acquisition;

19. Discussing and voting for authorizing the Board of Directors to establish Special Purpose Vehicle(s) when required for above mentioned acquisitions;
20. Informing the General Assembly about the guarantees, pledges and mortgages given by our Company in favour of third parties, and about revenues or interests generated, under Decision 28/780 dated 09.09.2009 of the Capital Market Board;
21. Resolving on giving permission to the Board Directors to carry out works within or out of the scope of the Company's operations on their own behalf or on behalf of others or to be a partner to companies who does such works, and to carry out other transactions, as per Article 334 and 335 of the Turkish Trade Law;
22. Comments and closing.

17. TÜRK TELEKOMÜNIKASYON A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Statement of Compliance with Corporate Governance Principles

Türk Telekomünikasyon A.Ş. ("Türk Telekom") pays utmost attention for implementing 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.

Türk Telekom successfully received an overall Corporate Governance rating of 8.27 as a result of an independent assessment by SAHA Corporate Governance and Credit Rating Company incorporated by CMB. Thus, our Company's Corporate Governance Rating has increased from 8.01 to 8.27.

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

| Sub Categories | % Weight | 2009 | 2010 |
|------------------------------------|-----------------|-------------|-------------|
| Shareholders | 25 | 7,69 | 7,94 |
| Public Disclosure and Transparency | 35 | 8,98 | 9,22 |
| Stakeholders | 15 | 8,72 | 9,15 |
| Board of Directors | 25 | 6,56 | 6,73 |
| Total | 100 | 8,01 | 8,27 |

This rating assigned to Turk Telekom based on the Corporate Governance Principles is a clear sign that our Company is compliant with CMB Corporate Governance Principles to a large extent, has

put the necessary policies and precautions into effect and our Company's efforts for fully complying with the Corporate Governance Principles will continue.

Reasons for non-complied Corporate Governance Principles

Absence of an independent Board member, and that cumulative voting system is not used: 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 appoint a special auditor, and that there is no additional provision on minority rights: Regarding this matter, our company is of the conviction that the framework provided for by the Turkish Commercial Code and the CMB regulations is 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.

Absence of a Corporate Governance Committee: Activities for establishing 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 Capital Markets and Investor Relations Director Abdullah Orkun Kaya who holds required licenses. He coordinates the execution of requirements arising from capital market regulations and corporate governance practices.

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.

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 | | |
| Ziya Parıltılı | Manager | | |
| Dr. Rasim Özcan | Advisor | | |
| Ela Gözde Tellioğlu | Associate | 0212 306 80 80 | ir@turktelekom.com.tr |
| Elif Küçükçobanoğlu | Associate | | |
| Eren Öner | Associate | | |
| Furkan Onat | Associate | | |
| Lütfi Kerem Akıllı | Associate | | |
| Bayram Veli Salur | Assistant Associate | | |
| Zehra Saygın | Assistant Associate | | |
| Ayça Sincan | Team Assistant | | |

Please contact Süleyman Kısaç and Ela Gözde Tellioğlu for questions related with dividends, General Assembly and transfer of shares.

The Department received over 1000 information requests by phone and email during 2010, all of which were answered. The Company participated in 24 international and 3 domestic investor conferences in the same period, during which contacts were made with over 330 representatives from over 330 investment companies. In addition, the Department held over 70 internal investor meetings and around 50 teleconferences, thereby communicating with over 200 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 the highest authority on the related matter. Over 1000 information requests received by Türk Telekom in the relevant period were answered. Furthermore, current and retrospective information and developments relating to Türk Telekom that are of interest to shareholders are regularly communicated to the concerned parties by the corporate website both in Turkish and English languages. They are also regularly communicated to those registered to our database via emails.

In addition to the foregoing, within the context of shareholders' exercise of their right to obtain information, data and information are provided under the following headings on the 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 2010 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 special 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

Main Resolutions made within 2010 are as follows:

- **Resolution no.1 dated January 11, 2010**

Our Company shall participate into the tender process initiated by Turkish Football Federation ("TFF") for the transfer of Super League and 1st League broadcasting rights in respect of 2010-2011, 2011-2012, 2012-2013, and 2013-2014 football seasons (the "Tender Process") and submit bid for the Packages A and C, as defined in the relevant Tender Specifications.

- **Resolution no.3 dated February 1, 2010**

It has been resolved that Mustafa Uysal is appointed as TT Group CFO, in charge of financial coordination of Turk Telekom and its subsidiaries, and of required works and transactions; Finance VPs of Turk Telekom and its subsidiaries shall report to him; and Mustafa Uysal shall also be acting as Türk Telekom Finance VP until a new Finance VP for TT is appointed, and Mustafa Uysal will be given the Group D signature authority for above mentioned positions.

- **Resolution no.4 dated February 11, 2010**

Approval of the consolidated financial statements regarding the period between 01.01.2009 – 31.12.2009 which was prepared as per the International Financial Reporting Standards under the Turkish Capital Board Communiqué 20 Serial No. XI and was approved by the Independent Auditors.

- **Resolution no.5 dated February 11, 2010**

It was decided to recommend to distribute the 100% of the remaining profit of 2009 as cash dividend after first and second legal reserves are set aside which is TL 1,589,712,275 to the General Assembly to be held on April 6, 2010. This amount corresponds to 0.4542035 Kurus (%45.42035) gross cash dividend per each share worth for 1 Kurus nominally.

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

It is resolved for the decision of our Company's General Assembly to be held on April 6, 2010;

1. Our company's net profit of the fiscal year 2009 according to the independently audited consolidated financials prepared in accordance with "CMB Communiqué About Financial Reporting in Capital Markets Serial: XI No:29" is TL 1,831,730,000 and according to the Turkish Commercial Code clauses and Tax Procedure Law is TL 2,746,613,306,

2. According to the CMB announcement dated January 27, 2010, the profit after tax amount of TL 1,831,730,000 is the base amount for dividend distribution,

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. Since the reserve amount will reach to 20% of the paid in capital, by setting aside TL 100,546,497 as first legal reserves, to set aside TL 100,546,497 as first legal reserves for 2009.

4. After setting aside the first legal reserve of TL 100,546,497 from consolidated net profit of TL 1,831,730,000 (base amount for dividend distribution), remaining TL 1,731,183,503 shall be the distributable profit of 2009. Adding the donations made in 2009 of TL 33,644,220, TL 1,764,827,723 shall be the base for first dividend.

5. Although the minimum dividend payout ratio determined by CMB for 2009 is 0%, it is decided to distribute 20% of TL 1,764,827,723 (first dividend base), TL 352,965,545 as cash first dividend, in accordance with "CMB Communiqué Serial IV No: 27". The second legal reserve of TL 141,471,228 shall be set aside and the remaining TL 1,236,746,731 shall be distributed as cash second dividend.

a) Total cash dividend amount to be distributed of TL 1,589,712,275 shall be covered by current period net profit.

b) Accordingly 0.4542035 Kurus (%45.42035) gross cash dividend per each share worth for 1 Kurus nominally shall be distributed to our shareholders and total gross cash dividend distribution amount shall be TL 1,589,712,275.

6. The distribution of the cash dividends to our shareholders shall begin on May 24, 2010, at Merkezi Kayıt Kuruluşu A.Ş. Süzer Plaza Askerocağı Caddesi No:15 Kat:2 34367 Elmadağ-Şişli İstanbul.

- **Resolution no.09 dated February 11, 2010,**

It was resolved that the approval of signing a new contract with Ernst&Young, an independent audit company, in 2010 on the basis of the opinions of the Audit Committee, shall be submitted to the General Assembly.

- **Resolution no.22 dated March 8, 2010**

It was resolved that Türk Telekomünikasyon A.Ş. 2009 Annual Report shall be approved.

- **Resolution no.23 dated March 8, 2010**

The Ordinary General Assembly Meeting for the year 2009 shall be held on April 06, 2010 (Tuesday) at 10.30 a.m. to discuss the below mentioned agenda at the address of Türk Telekomünikasyon A.Ş. Head Quarters Cultural Center, Turgut Özal Bulvarı 06103 Aydınlıkevler Ankara.

1. Opening and Election of the Chairmanship Committee;
2. Authorization of the Chairmanship Committee to sign the minutes of the General Assembly Meeting and the List of Attendees;
3. Reading of the Board of Directors annual report for the year 2009
4. Reading of the Audit Board report for the year 2009;
5. Reading of the Independent Audit Company's report summaries for the year 2009;
6. Reading, discussing and approving of the balance sheet and the profit/loss accounts for the year 2009;
7. Release of the members of Board of Directors from the operations and actions of the Company during the year 2009;
8. Release of the Audit Board members from the operations and actions of the Company during the year 2009
9. Discussing and deciding on the proposal of the Board of Directors regarding dividend distribution for the year 2009;
10. Discussing and deciding on the Board of Directors' proposal, given pursuant to the recommendation of the Company's Audit Committee, offering that the Independent Audit Company Güney Bağımsız Denetim ve SMMM A.Ş. (Ernst&Young) shall continue its audit assignment on the operations and accounts of the Company for the year 2010 as per Article 14 of the Regulation on Independent External Audit in the Capital Markets issued by the Capital Market Board and Article 17/A of the Articles of Association of the Company;
11. Giving information to the General Assembly regarding the code of ethics prepared by the Board of Directors in accordance with the Corporate Governance Principles;
12. Giving information to the General Assembly regarding the dividend distribution policy in accordance with the Corporate Governance Principles;
13. Reading the written explanation of the Independent Audit Company on the compliance of the financial statements and other reports with the standards, the accuracy and integrity of the information therein and the non-existence of any issues hindering its or its affiliates' independency in the services provided to our Company and to its subsidiaries/affiliates;
14. Giving information to the General Assembly regarding the disclosure policy prepared by the Board of Directors;
15. Giving information to the General Assembly regarding the donations made during 2009;
16. Giving information to the General Assembly regarding the transactions made with the related parties during 2009;
17. Giving information to the General Assembly regarding the guarantees, pledges and mortgages provided by the Company to third parties or the derived income or interest thereof, in accordance with the Decision of the CMB dated 09/09/2009 and numbered 28/780;
18. Deciding on permitting the members of the Board of Directors to carry out businesses directly or on behalf of others within or outside of the Company's fields of activity or to participate in companies engaged in such businesses and to perform other acts in accordance with the articles 334 and 335 of the Turkish Commercial Code;
19. Wishes and closing

- **Resolution no.24 dated March 10, 2010**

It has been resolved that Paul Taylor shall be appointed as Chief Advisor to CEO for Commercial Transformation and signature authority given for his former position shall be removed; Haktan Yaşar Kılıç shall be appointed as Acting VP of the recently established "Customer Relations Department".

- **Resolution no.26 dated April 20, 2010**

It has been resolved that, Review and approval of our Company's consolidated financial statements which was prepared according to the CMB Communiqué Serial:XI, No: 29 for the period between 01.01.2010 – 31.03.2010 and the interim activity report for the same period.

- **Resolution no.33 dated April 20, 2010**

It has been resolved that the Executive Committee shall be authorised to carry out all works and transactions related to acquisition of Hungary-based Invitel International who is a leading independent wholesale data and capacity provider in Middle and Southeastern Europe; negotiate and sign agreements and other documents; decide on the final offer; make the final offer and make all transactions related to such acquisition including provision of funding for the acquisition, including the power to delegate such authorities to any of its members.

- **Resolution no.36 dated May 7, 2010**

It is decided to hold the Extra Ordinary General Assembly Meeting at 14:00, on Tuesday, 08th of June, 2010 to discuss the below mentioned agenda at the address of Türk Telekomünikasyon A.Ş. Genel Müdürlüğü Kültür Merkezi, Turgut Özal Bulvarı 06103 AydınlıkEvler Ankara.

1. Opening and Election of the Chairmanship Committee;
2. Authorizing the Chairmanship Committee to sign the minutes of the Extraordinary General Assembly Meeting, and the List of Attendees;
3. Pursuant to Paragraph (g) of Article 21/6 "Invitation to Meeting and Meeting Quorum" of the Articles of Association of our Company, approval of the acquisition of Invitel Holdings A/S's international wholesale business ("Invitel International" collectively), comprising the entire issued share capital of Invitel International AG (including its subsidiaries), AT-INVITEL GmbH, Invitel International Hungary Kft and S.C. EuroWeb Romania S.A.;
4. Discussing and voting of authorizing the Board of Directors and/or person(s) to be delegated by the Board of Directors for acquisition of company(s) within the year 2010 up to EUR 300,000,000 (three hundred million) for each acquisition;
5. Discussing and voting of authorizing the Board of Directors to establish SPV(s) when needed in relation to such acquisitions;
6. Wishes,
7. Closing.

- **Resolution no.43 dated July 19, 2010**

It has been resolved that our Company's consolidated financial statements which was prepared according to the CMB Communiqué Serial:XI, No: 29 for the period between 01.01.2010 – 30.06.2010 and the interim activity report for the same period shall be approved.

- **Resolution no.44 dated August 20, 2010**

It has been resolved that:

- the resignation of Dr. Boulos H.B. Doany, dated 20 August 2010, from his position as Turk Telekom General Manager;

- the establishment of a Turk Telekom Group CEO position and the appointment, with immediate effect, of Mr.Hakam Kanafani as Türk Telekom Group CEO;
- the appointment, with immediate effect, of Mr. Kamil Gökhan Bozkurt as Türk Telekom CEO(General Manager) shall be approved.

The Executive Committee shall be authorized to determine the authority limits to be granted to Turk Telekom Group CEO, Turk Telekom CEO (General Manager) and Turk Telekom Management in a subsequent meeting.

- **Resolution no.45 dated October 20, 2010**

Our Company's interim financial statements dated 30.09.2010 which have been prepared according to the International Financial Reporting Standards within the framework of CMB Communique no.29 serial XI, and the interim activity report for the same period, shall be approved.

- **Resolution no.46 dated October 20, 2010**

Upon the resignation of Mr. Basile Yared from his duty as the member of the Board of Directors, Mr.Hakam Kanafani, TT Group CEO, shall be appointed to this position as a member of the Board of Directors pursuant to Article 315 of the Turkish Commercial Code, and submitted to the approval of the shareholders in the next general assembly of the shareholders.

Upon the resignation of Dr. Boulos H.B. Doany from his duty as the member of the Executive Committee, Mr.Hakam Kanafani, shall be appointed to this position as a member of the Executive Committee.

- **Resolution no.47 dated October 20, 2010**

Upon the resignation of Mr. Basile Yared from his duties as the Chairman and member of the Audit Committee, Mr. Samir Asaad O Matbouli shall be appointed as the Chairman of the Audit Committee, and Mr. Dr. Boulos H.B. Doany shall be appointed as a member of the Audit Committee.

- **Resolution no.48 dated October 20, 2010**

- Continuation of the Internal Communication Directorate with its activities under a direct report link to the CEO,
- Changing the name of the Organization and Process Management in Human Resources Vice Presidency to Corporate Transformation and Efficiency and continuation of the Corporate Transformation and Efficiency Directorate with its activities under a direct link to the CEO.
- Establishing a new Vice Presidency called "Human Resources, Support and Regulations" by merging the Regulation And Support Services Vice Presidency with Human Resources Vice Presidency,
- Changing the names of the following Human Resources Vice Presidency Directorates: "Industrial and Business Relations Directorate" to "Labour Relations Directorate";

“Recruitment, Compensation & Talent Management Directorate” to “HR Strategy and Talent Management”,

- Transferring the current tasks and employees of the following Human Resources Vice Presidency Directorates; “Labour Relations Directorate”, “TT Academy Directorate”, “HR Strategy and Talent Management Directorate” and following Regulation and Support Services Vice Presidency Directorates; “Regulations Compliance Directorate”, “Regulations and Competition Directorate”, and “Construction-Real Estate Directorate” to newly established “Human Resources, Support and Regulations Vice Presidency”,
- Merging the “ Logistic Support Directorate” under Regulation and Support Vice Presidency with “Facilities Management Directorate” with transferring its current tasks and employees to this Directorate, and changing the name of this Directorate as “Facilities Management and Logistic Support Directorate”, and transferring Facilities Management and Logistic Support Directorate under a direct report link to “Human Resources, Support and Regulations Vice Presidency”, and reevaluate the necessity for nominating changes to this HR organisation within 1 year.
- **Resolution no.51 dated November 30, 2010**

It has been resolved that;

- A new department at VP level, namely Technology Department, directly reporting to the CEO shall be established;
- Information Technologies, Network Architecture and Service Management Directorates shall be transferred to the Technology Department together with its works and operations and existing personnel;
- Network Directorate, Access Directorate and NATO TAFICS Directorate shall be transferred to the Operations Department together with works and operations and existing personnel;
- The CEO shall be authorised to revise and announce the organization chart for the director positions under Operations and Technology Departments, and to redefine roles, authorities and responsibilities of the Operations and Technology Departments;
- Operations VP Celalettin Dinçer shall be appointed as Sales VP;
- Network Director Memet Atalay shall be appointed as acting Operations VP;
- Timur Ceylan shall be appointed as Technology VP;
- Sales VP Aydın Çamlıbel shall be appointed as Consultant to the CEO.

- **Resolution no.52 dated November 30, 2010**

It has been resolved that five-year business plan of the Company and 2011 Budget shall be approved.

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 2010, 2009 Ordinary General Assembly Meeting convened on April 6, 2010 where 89.52% of the Company shares were represented in proxy and 0.000058% were represented in person and an Extraordinary General Assembly Meeting convened on June 8, 2010 where 89.57% of the Company shares were represented in proxy and 0.000058% 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.

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.

Particulars related to said 2009 Ordinary General Assembly Meeting were published on the Turkish Trade Registry Gazette No. 7547 dated 20.04.2010 and Extraordinary General Assembly meeting were published on the Turkish Trade Registry Gazette No. 7586 dated 16.06.2010. In addition, the relevant Regulatory Disclosures of Material Event made by our Company was also published on the Public Disclosure Platform of 06.04.2010 and 08.06.2010.

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

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 and resigned on March 8, 2011.

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 2010.

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 and our Company's dividend polciy were submitted to the shareholders's information in 2009 Ordinary General Assembly Meeting convened on April 6, 2010. On the other hand, when determining the dividend distribution proposal, the Board of Directors also takes into account the short term financial liabilities of group companies, and conditions of those contracts that are signed with 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.

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 and were submitted to the shareholders's information in General Assembly Meeting convened on April 6, 2010. 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 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 32 material event disclosures in 2010 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 ownership structure
- Information on Group Companies
- 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 relations news
- Investor calendar (current and past)
- Date and agenda for the General Assembly meeting and General Assembly information document
- Minutes and attendance sheet of the General Assembly meeting
- Proxy sample
- Disclosure policy

- List of Insiders With Administrative Responsibility
- Share performance and calculator
- 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 Corporate 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 Rating Report
- Dividend policy and information on dividend distribution
- Code of ethics
- Telecom glossary
- Frequently asked questions

2.4. Company ownership structure

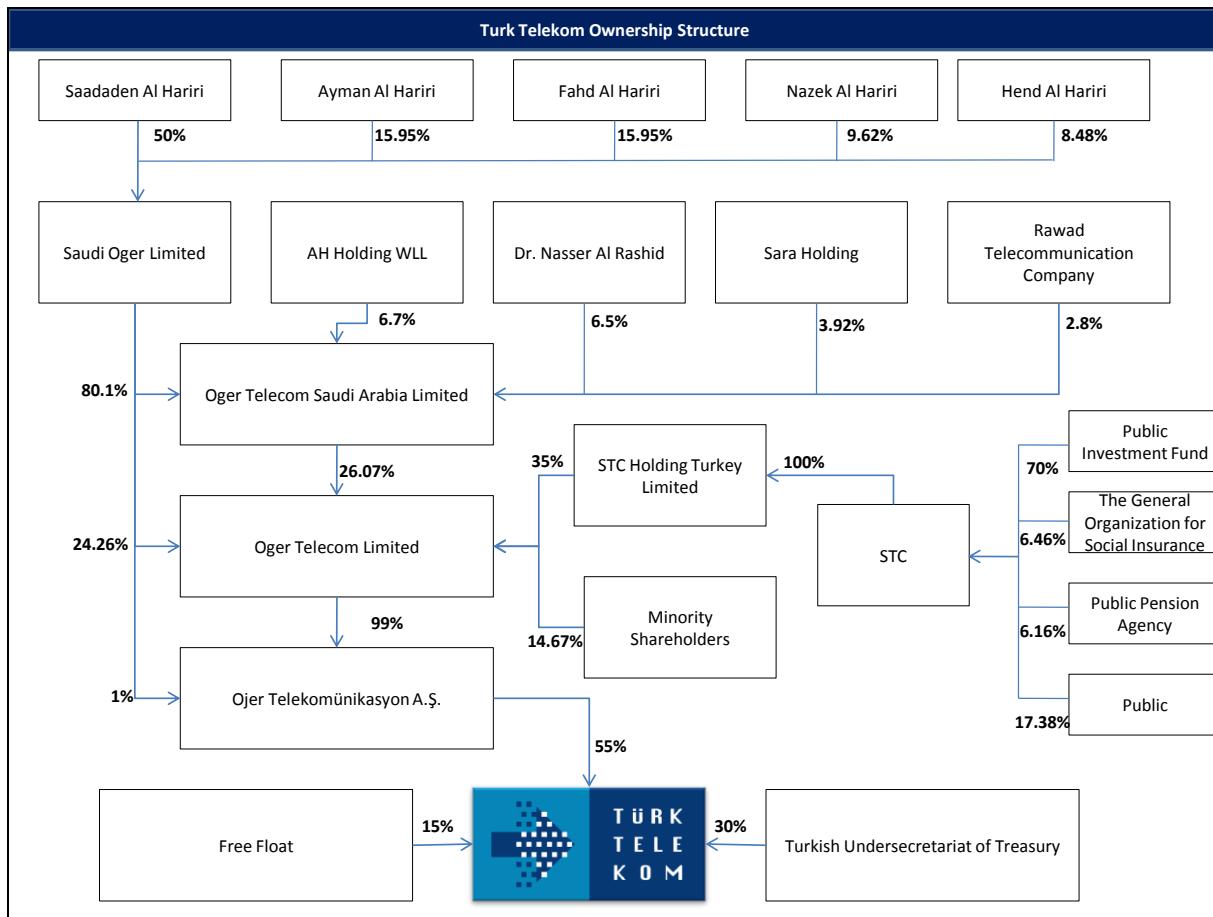
Not subject to the authorized capital system, the Company has a share capital of TL 3,500,000,000 which is fully paid-in. The distribution of the paid-in capital among the shareholders is shown below:

| Class | Shareholder | Share Capital (TL) | Share (%) |
|-------|---------------------------------|--------------------|-----------|
| A | Oger Telekomünikasyon A.Ş. | 1.925.000.000,00 | 55 |
| B | | 971.249.999,99 | |
| C | TR Undersecretariat of Treasury | 0,01 | 30 |
| D | | 78.750.000,00 | |
| D | Free Float | 525.000.000,00 | 15 |
| Total | | 3.500.000.000,00 | 100 |

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

Holding 55% stake in the Company, Oger 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 24.26% in Oger Telecom Limited, whereas the remaining 14.67% 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%.



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.

Declaration is received from all the listed employees regarding they are aware of their obligations on protection of these information and prevention of their improper use. Türk Telekom applies a “Silence Period” during which time the Company representatives and officers are obligated to refrain from disclosing or otherwise providing information to public and a “Blackout Period” when the people who have access to insider information are prohibited to trade the shares of Turk Telekom before the official release and statement about the operating results of the current period. This Silence Period starts six weeks prior to release and disclosure of the year-end operating results or two weeks prior to release and disclosure of the quarterly operating results, and ends after such releases and disclosures. The Blackout Period starts with the Silence Period and ends one business day after the Silence Period.

2.6. List of Insiders With 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:

Mohammed Hariri, Chairman of the Board of Directors, Chairman of the Executive Committee

İbrahim Şahin, Vice Chairman of the Board of Directors, Vice Chairman of the Executive Committee

Hakam Kanafani, Member of the Board of Directors, Member of the Executive Committee, TT Group CEO

Dr. Paul (Boulos H.B) Doany, Member of the Board of Directors, Member of the Board of Auditors

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

Ghassan Hasbani, Member of the Board of Directors, Chairman of the Board of Auditors

Efkan Ala, Member of the Board of Auditors

Prof. Dr. Aydın Gülan, Member of the Board of Auditors

Lütfi Aydın, Member of the Board of Auditors

Kamil Gökhan Bozkurt, CEO

Mustafa Uysal, TT Group CFO, TT Acting CFO

Memet Atalay, Acting VP Operations

Timur Ceylan, VP Technology

Dr. Ramazan Demir, VP Strategy and Business Development

Erem Demircan, VP Marketing and Communications

Celalettin Dinçer, VP Sales

Haktan Kılıç, Acting VP Customer Relations

Dr. Mehmet Kömürcü, VP Legal

Şükrü Kutlu, VP Human Resources Support and Regulations

Mehmet Candan Toros, VP International and Wholesale

Dr. Nazif Burca, Head of Internal Audit

David Cook, Finance Director

Mehmet Zafer Pınarcık, TT Group Financial Controller

Bülent Taş, Tax Management Director

Nurhan Kılıç, Treasury Director

Yavuz Türkmen, Financial Controller

Abdullah Orkun Kaya, Capital Markets and Investor Relations Director

Süleyman Eken, Director of Budget Planning and Analysis

Erkan Akdemir, AVEA Chief Executive Officer

Tahsin Yılmaz, TTNET Chief Executive Officer

People with administrative responsibility included in the list within 2010 but delisted afterwards:

Basile Yared, Member of the Board of Directors, Chairman of the Audit Committee

Samir Asaad O Matbouli, Member of the Board of Directors, Member of the Audit Committee

Aydın Çamlıbel, VP Sales

Doç. Dr. Tuna Tuğcu, Member of the Board of Auditors

İsmet Yılmaz, Member of the Board of Directors

Dr. Ali Arıdudu, Member of the Board of Directors

Mehmet Habib Soluk, Member of the Board of Directors, Member of the Audit Committee

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 Relations Vice Presidency and Call Center efficiently handle Türk Telekom customers' information requests about services and products, their comments or complaints, and provide solutions for customer problems. The Internal Communication Department keeps the employees informed.

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

There was no complaint regarding discrimination from our employees in 2010.

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. Within this process, Türk Telekom Academy supports the development of the employees.

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

Within the scope of “Customer Retention Management” project performed with a view to enhancing customer satisfaction, 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

Türk Telekom who adds values to its customers' lives with the products and services it develops gathered all social responsibility projects it put into practice across Turkey under a single roof named “Türkiye'ye Değer” in 2010.

Turkey's leading communication and convergence technologies company considers contributing to the country by investing in technology and infrastructure as well as human resource and creating values among its preferential goals.

Türk Telekom creates values undertaking 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 “Türkiye’ye Değer” projects are shared with the public also via the corporate website. Detailed information is available also at www.turkiyeyedeger.com.tr

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
- **Hakam Kanafani**, Member (TT Group CEO)
- **Dr. Paul (Boulos H.B.) Doany**, Member
- **Saad Zafer M Al Kahtani**, Member
- **Abdullah Tivnikli**, Member
- **Ghassan Hasbani**, Member

The Company's Board of Directors has accepted resignations of Board Members Basile Yared and Samir Asaad O Matbuoli and resolved that respectively Hakam Kanafani and Ghassan Hasbani be assigned for Board memberships in accordance with Article 315 of the Turkish Commercial Code and that these assignments be submitted to the approval of the shareholders in the first General Assembly Meeting to be held.

The Company's Board of Directors has accepted resignations of Board Members; Mehmet Habip Soluk, İsmet Yılmaz and Ali Arıduru.

Pursuant to Article 8 of Türk Telekom's Articles of Association, holder of Class A shares is entitled to make six nominations in the election of the Board of Directors members, and the Under secretariat of Treasury, the holder of Class B shares, to make three nominations so long as it holds 30% or more of the Company's share capital. The Class C share is represented by one member on the Board of Directors. In line with these provisions of the Articles of Association, currently there are no independent members on the Board of Directors of Türk Telekom. Since Article 8 of the Articles of Association stipulates that holder of Class A shares and the Treasury will be entitled to nominate individuals to be elected as an independent Board member upon reaching a mutual agreement, provided that the Under secretariat 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 required qualifications of Board Members are determined in the Article 9 of Articles of Association and this provision is implemented for the qualifications of Board Members.

4.3. Mission, Vision and Strategic Goals of the Company

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

4.4. Risk Management and Internal Control Mechanism

Türk Telekom has an Audit Committee consisting of members elected from among non-executive members on the Board of Directors in accordance with CMB regulations. 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 makes evaluations to the Board of Directors on the accuracy and authenticity of financial data to be disclosed; selects independent audit firms, and regularly supervises the activities of the audit firm.

Türk Telekom has a modern and active internal audit department engaged in assurance and consultancy activities with the object of assessing and developing the effectiveness of risk management, control and governance processes of the Company and the group companies. The Internal Audit Department reports to the Audit Committee as the surety of its independence and objectivity. 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, evaluates the effectiveness of the controls determined in the business processes, develops action plans 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 referring to the authorization granted them by the Board of Directors. The Internal Audit Department conducts audits and coordinates audit activities at the group companies, as and when necessary. Inspections and inquiries within the Company are also performed by the Internal Audit Department.

The Internal Audit Department is responsible for identifying the risks in the business processes with the related management units, evaluating the reducing functions with respect to these risks and performing assessments whether risk management functions are implemented effectively or not. Risk management and performance of the related reducing functions are in charge of the related management units. Activities for establishing a separate Corporate Risk Management Department within the Company so as to fulfill the risk management functions are under way.

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 and submitted to the shareholders's information in 2009 Ordinary General Assembly Meeting convened on April 6, 2010. 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.

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.

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 Habip Soluk and Samir Asaad O. Matbuoli were elected as its members. Dr. Paul (Boulos H.B.) Doany was elected as board member to replace Basile Yared and Samir Asaad O. Matbuoli was elected as the Chairman with resolution dated 20.10.2010; in 2011 Ghassan Hasbani was elected as the Chairman to replace Samir Asaad O Matbuoli, Mehmet Habip Soluk has also resigned from his duties as a board member on March 8, 2011. 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 İbrahim Şahin was elected as its vice-chairman and Abdullah Tivnikli, Saad Zafer M. Al Kahtani and Dr. Paul (Boulos H.B.) Doany were elected as its members. Hakam Kanafani replaced Dr. Paul (Boulos H.B.) Doany with resolution dated 20.10.2010.

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.

18. DIVIDEND DISTRIBUTION AND BOARD RECOMMENDATION

| 2010 DIVIDEND DISTRIBUTION OF TÜRK TELEKOMÜNIKASYON A.Ş. (TL) | |
|---|---------------|
| 1) Paid / Issued Capital | 3,500,000,000 |
| 2) Total Legal Reserves (in accordance with statutory records) | 1,735,201,852 |
| If there is information about privilege in dividend distribution in accordance with the AoA | |

| | DISTRIBUTION OF THE PROFIT FOR THE PERIOD | Acc. to CMB | Acc. to Statutory Records (SR) |
|--|---|---------------|--------------------------------|
| 3) Profit for the Period | | 3,249,440,000 | 3,686,152,163 |
| 4) Tax Expenses (-) | | 798,583,000 | 728,448,002 |
| 5) Net Profit for the Period (=) | (3-4) | 2,450,857,000 | 2,957,704,161 |
| 6) Prior Years' Losses (-) | | 0 | 0 |
| 7) First Legal Reserves (-) | ((5SR-6SR)*0,05) | 0 | 0 |
| 8) NET DISTRIBUTABLE PROFIT (=) | (5-6-7) | 2,450,857,000 | 2,957,704,161 |
| 9) Donations made during the year (+) | | 18,425,630 | |
| 10) Net distributable profit including donations that is the base of calculation of first legal reserves | (8+9) | 2,469,282,630 | |
| 11) First Dividend - Cash - Share - Total | (10*the minimum rate determined by CMB) | 493,856,526 | |
| 12) Dividend paid to preference shares | (Amount of the dividend for privileged shareholders in accordance with the articles of Association) | | |
| 13) Dividends paid to the Board Member | | | |
| 14) Dividend paid to İntifa Senedi owners | | | |
| 15) Second Dividend | | 1,750,104,383 | |
| 16) Second Legal Reserves | ((8)-(H4*0,05))/11 | 206,896,091 | |
| 17) Status Reserves | | 0 | |
| 18) Special Reserves | | 0 | |
| 19) EXTRA ORDINARY RESERVES | 5- (6+7+11+12+13+1 4+15+16+17+18) | 0 | |
| 20) Other Distributable Sources -Prior Years' Profits -Extra Ordinary Reserves -Other Distributable Reserves in accordance with legislation | | | |

| DIVIDEND PAYOUT RATIO INFORMATION | | | | |
|---|---|----------------------------|---|----------------|
| DIVIDEND PER SHARE | | | | |
| | GROUP | TOTAL DIVIDEND AMOUNT (TL) | DIVIDEND TO BE DISTRIBUTED FOR EACH SHARE TRADED WITH A NOMINAL VALUE OF TL 1 | |
| | | | AMOUNT (TL) | PERCENTAGE (%) |
| GROSS | A | 1,234,178,499.95 | 0.64113 | 64.11 |
| | B | 622,699,152.25 | 0.64113 | 64.11 |
| | C | 0 | 0 | 0 |
| | D | 387,083,256.80 | 0.64113 | 64.11 |
| | <u>TOTAL</u> | 2,243,960,909.00 | 0.64113 | 64.11 |
| NET | A* | 1,234,178,499.95 | 0.64113 | 64.11 |
| | B** | 529,294,279.41 | 0.54496 | 54.50 |
| | C*** | 0 | 0 | 0 |
| | D**** | 329,020,768.28 | 0.54496 | 54.50 |
| | <u>TOTAL</u> | 2,092,493,547.64 | 0.54496 | 54.50 |
| THE RATIO OF DIVIDEND DISTRIBUTED TO NET DISTRIBUTABLE INCOME INCLUDING DONATIONS | | | | |
| DIVIDEND DISTRIBUTED TO SHAREHOLDERS (TL) | THE RATIO OF DIVIDEND DISTRIBUTED TO SHAREHOLDERS TO NET DISTRIBUTABLE INCOME INCLUDING DONATIONS (%) | | | |
| 2,243,960,909.00 | 90.87 | | | |

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

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

*** There is 1 Group C share, which is owned by the Turkish Treasury and does not have the right to get dividend payment according to our Articles of Association.

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

Board Recommendation Dividend Distribution

It is decided to recommend to distribute the 100% of the remaining profit of 2010 as cash dividend after first and second legal reserves are set aside which is 2,243,960,909 TL to the General Assembly to be held on April 25, 2011. This amount corresponds to 0.6411316 Kurus (%64.11316) gross cash dividend per each share worth for 1 Kurus nominally.

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

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

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

19. RESPONSIBILITY STATEMENT

FINANCIAL TABLES APPROVED BY THE BOARD OF DIRECTORS
RESOLUTION DATED: 08/02/2011
RESOLUTION NO: 11

ANNUAL REPORT APPROVED BY THE BOARD OF DIRECTORS
RESOLUTION DATED: 04/04/2011
RESOLUTION NO: 20

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, 2010, 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. 11 of 08/02/2011; and the Board of Directors Annual Report for 2010, approved by the Board of Directors Decision No. 20 of 04/04/2011
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 fat the Company is facing.

Kind regards,

Mehmet Zafer Pınarcık
Group Financial Controller

Mustafa Uysal
Acting CFO

Kamil Gökhan Bozkurt
CEO

20. CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDIT REPORT

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

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 2010 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly the financial position of Türk Telekomünikasyon A.Ş. and its Subsidiaries as at 31 December 2010 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 2010, the accounting principles described in Note 2.1 (defined as CMB Accounting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting and also for certain disclosures requirement of the CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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

Metin Canoğulları, SMMM

8 February 2011
İstanbul, Turkey

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated balance sheet

as at 31 December 2010

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

| | Current period | Prior period | Prior period |
|-------------------------------|-------------------|--------------------------------|--------------------------------|
| | Audited | Audited (Restated Note 2.2) | Audited (Restated Note 2.2) |
| Notes | 31 December 2010 | 31 December 2009 | 31 December 2008 |
| Assets | | | |
| Current assets | 3.712.265 | 2.844.599 | 2.998.480 |
| Cash and cash equivalents | 6 | 1.219.007 | 753.693 |
| Trade receivables | | | |
| - Due from related parties | 10 | 134.513 | 90.992 |
| - Other trade receivables | 8 | 1.586.921 | 1.396.175 |
| Financial investments | 17 | - | 793 |
| Other receivables | 12 | 34.417 | 33.309 |
| Inventories | 13 | 81.444 | 62.920 |
| Other current assets | 15 | 655.963 | 507.510 |
| | 3.712.265 | 2.844.599 | 2.991.120 |
| Asset held for sale | - | - | 7.360 |
| Non-current assets | 11.387.756 | 10.556.763 | 9.660.966 |
| Trade receivables | 8 | 48.890 | - |
| Other financial assets | 17 | 3.586 | - |
| Other receivables | 12 | 2.148 | 676 |
| Financial investments | 16 | 11.840 | 11.840 |
| Investment property | 19 | 274.237 | 291.001 |
| Property, plant and equipment | 20 | 7.161.063 | 6.629.328 |
| Intangible assets | 21 | 3.516.788 | 3.286.440 |
| Goodwill | 18 | 52.873 | 49.172 |
| Deferred tax asset | 14 | 258.650 | 245.125 |
| Other non-current assets | 15 | 57.681 | 43.181 |
| Total assets | 15.100.021 | 13.401.362 | 12.659.446 |

The accompanying policies and explanatory notes on pages 9 through 98 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))

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated balance sheet

as at 31 December 2010

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

| | | Current period | Prior period | Prior period |
|--|-------|-------------------|------------------|---------------------|
| | | Audited | Audited | Audited |
| | Notes | 31 December 2010 | 31 December 2009 | (Restated Note 2.2) |
| Liabilities | | | | |
| Current liabilities | | 4.820.529 | 4.664.947 | 3.548.688 |
| Financial liabilities | | | | |
| - Bank borrowings | 7 | 1.863.186 | 2.154.838 | 1.285.578 |
| - Obligations under finance leases | 9 | 5.726 | 5.446 | 5.233 |
| Other financial liabilities | 17 | 46.011 | 58.835 | - |
| Trade payables | | | | |
| - Due to related parties | 10 | 44.061 | 23.820 | 21.517 |
| - Other trade payables | 8 | 1.267.044 | 858.058 | 881.319 |
| Other payables | 12 | 291.518 | 304.269 | 329.234 |
| Income tax payable | 32 | 142.405 | 149.982 | 93.882 |
| Provisions | 22 | 282.396 | 248.595 | 232.075 |
| Other current liabilities | 15 | 878.182 | 861.104 | 699.850 |
| Non-current liabilities | | 4.104.735 | 3.314.449 | 3.997.152 |
| Financial liabilities | | | | |
| - Bank borrowings | 7 | 2.300.849 | 1.777.309 | 2.122.904 |
| - Obligations under finance leases | 9 | 29.628 | 36.483 | 41.527 |
| Other financial liabilities | | | | |
| - Minority put option liability | 11 | 525.894 | 543.103 | 586.439 |
| - Derivative financial instruments | 17 | 27.779 | 48.179 | 209.515 |
| Trade payables | 8 | 80.561 | - | - |
| Other payables | | | | |
| - Due to related parties | 10 | - | - | 336 |
| - Other payables | 12 | 13.761 | 8.942 | 16.094 |
| Provisions | 22 | 9.329 | 7.139 | 5.126 |
| Provisions for employee termination benefits | 22 | 606.606 | 634.171 | 667.148 |
| Deferred tax liability | 14 | 301.551 | 252.638 | 338.504 |
| Other non-current liabilities | 15 | 208.777 | 6.485 | 9.559 |
| Equity | | 6.174.757 | 5.421.966 | 5.113.606 |
| Equity attributable to parent | | | | |
| Paid-in share capital | 23 | 3.500.000 | 3.500.000 | 3.500.000 |
| Inflation adjustments to paid in capital | 23 | (239.752) | (239.752) | (239.752) |
| Other reserves | | | | |
| - Minority put option liability reserve | 11 | (582.848) | (488.749) | (386.719) |
| - Fair value difference arising from acquisition of subsidiary | 23 | (308.634) | (308.634) | (294.065) |
| - Hedging reserve | | (37.711) | (86.441) | (169.957) |
| - Actuarial loss arising from employee benefits | 22 | (201.884) | (128.826) | (100.808) |
| - Share based payment reserve | 24 | 9.528 | 9.528 | 9.528 |
| Currency translation reserve | | 9.885 | (188) | (57) |
| Restricted reserves allocated from profits | | 1.446.210 | 1.204.192 | 1.231.408 |
| Retained earnings / (accumulated deficit) | 23 | 129.106 | 101.088 | (160.891) |
| Net income for the year | | 2.450.857 | 1.859.748 | 1.724.919 |
| Total liabilities and equity | | 15.100.021 | 13.401.362 | 12.659.446 |

The accompanying policies and explanatory notes on pages 9 through 98 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))

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated income statement

for year ended 31 December 2010

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated)

| | Current period | Prior period |
|--|--|--------------------------------------|
| | Audited | Audited Restated (Note 2.2) |
| | 1 January 2010 - Notes 31 December 2010 | 1 January 2009 - 31 December 2009 |
| Continuing operations | | |
| Sales | 5 | 10.852.470 |
| Cost of sales (-) | 5, 28 | (4.917.512) |
| Gross profit | 5.934.958 | 5.486.659 |
| Marketing, sales and distribution expenses (-) | 5, 28 | (1.571.606) |
| General administrative expenses (-) | 5, 28 | (1.493.116) |
| Research and development expenses (-) | 5, 28 | (23.633) |
| Other operating income | 5, 30 | 563.267 |
| Other operating expense (-) | 5, 30 | (98.704) |
| Operating profit | 3.311.166 | 2.798.343 |
| Financial income | 31 | 424.405 |
| Financial expense (-) | 31 | (608.565) |
| Profit before tax from continuing operations | 3.127.006 | 2.359.967 |
| Tax expense from continuing operations | | |
| - Period tax expense | 32 | (765.343) |
| - Deferred tax income | 14, 32 | (33.240) |
| Profit for the year | 2.328.423 | 1.680.275 |
| Attribution of period income | | |
| Attributable to equity holders of the parent | | 2.450.857 |
| Minority interest | 23 | (122.434) |
| Earnings per share attributable to equity holders of the parent from continuing operations (in full Kuruş) | 23 | 0,7002 |
| Earnings per diluted share attributable to equity holders of the parent from continuing operations (in full Kuruş) | 23 | 0,7002 |

The accompanying policies and explanatory notes on pages 9 through 98 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))

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

**Consolidated statement of comprehensive income
for year ended 31 December 2010**
(Currency - in Thousands of Turkish Lira ("TL"))

| | Current period | Prior period |
|---|--------------------------------------|--------------------------------------|
| | Audited | Audited |
| | 1 January 2010 - 31 December 2010 | 1 January 2009 - 31 December 2009 |
| Profit for the year | 2.328.423 | 1.680.275 |
| Other comprehensive income: | | |
| Fair value loss on hedge instruments transferred to consolidated income statement (Note 17) | 84.521 | 105.264 |
| Change in fair value of derivative financial instruments | (24.452) | (1.980) |
| Change in currency translation differences | 10.073 | (131) |
| Actuarial loss arising from employee benefits | (91.336) | (35.002) |
| Deferred tax effect of actuarial loss | 18.065 | 6.754 |
| Other comprehensive income/(loss) (after tax) | (3.129) | 74.905 |
| Total comprehensive income | 2.325.294 | 1.755.180 |
| Appropriation of total comprehensive income: | | |
| Attributable to equity holders of the parent | 2.436.602 | 1.915.115 |
| Minority interest | (111.308) | (159.935) |

The accompanying policies and explanatory notes on pages 9 through 98 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))

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated statement of changes in equity

for the year ended 31 December 2010

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

| | Other Reserves | | | | | | | | | | | | | | |
|---|-----------------------|---|--|---------------------------------------|---------------------------------------|---|-----------------|---|------------------------------|---|-------------------------|-------------|-------------------|--------------|-------------|
| | Paid-in share capital | Inflation adjustment to paid in capital | Restricted reserves allocated from profits | Minority put option liability reserve | Share based payment reserve (Note 24) | Difference arising from acquisition of subsidiary | Hedging reserve | Actuarial loss arising from employee benefits | Currency translation reserve | Retained earnings/(accumulated deficit) | Net income for the year | Total | Minority interest | Total equity | |
| Balance as at 31 December 2008 (previously reported) | 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 | - | 5,113,607 | |
| Accounting policy change (Note 2.2) | - | - | - | - | - | - | - | (100,808) | - | 128,100 | (27,292) | -- | - | - | |
| Balance as at 31 December 2008 (restated) | 3,500,000 | (239,752) | 1,231,408 | (386,719) | 9,528 | (294,065) | (169,957) | (100,808) | (57) | (160,891) | 1,724,920 | 5,113,607 | - | 5,113,607 | |
| Net profit for the year | - | - | - | - | - | - | - | - | - | 1,859,748 | 1,859,748 | (179,473) | 1,680,275 | | |
| Other comprehensive income/(loss) | - | - | - | - | - | - | 83,516 | (28,018) | (131) | - | - | 55,367 | 19,538 | 74,905 | |
| Total comprehensive income | - | - | - | - | - | - | 83,516 | (28,018) | (131) | - | 1,859,748 | 1,915,115 | (159,935) | 1,755,180 | |
| Transfer to retained earnings | - | - | - | - | - | - | - | - | - | - | - | -- | - | - | |
| Transfer to restricted reserves allocated from profits | - | - | 261,775 | - | - | - | - | - | - | (27,012) | (234,763) | -- | - | - | |
| Transfer of accumulated deficit to restricted reserves allocated from profits (Note 23) | - | - | (288,991) | - | - | - | - | - | - | 288,991 | - | -- | - | - | |
| Minority interest before classification to minority put option liability (Note 23) | - | - | - | - | - | - | - | - | - | - | - | 199,720 | 199,720 | | |
| Minority put option liability | - | - | - | (102,030) | - | - | - | - | - | - | - | (102,030) | (54,354) | (156,384) | |
| Difference due to the change in shareholding rate in a subsidiary | - | - | - | - | - | (14,569) | - | - | - | - | - | (14,569) | 14,569 | - | |
| Dividends paid (Note 23) | - | - | - | - | - | - | - | - | - | - | (1,490,157) | (1,490,157) | - | (1,490,157) | |
| Balance as at 31 December 2009 (restated) | 3,500,000 | (239,752) | 1,204,192 | (488,749) | 9,528 | (308,634) | (86,441) | (128,826) | (188) | 101,088 | 1,859,748 | 5,421,966 | - | 5,421,966 | |
| Balance as at 31 December 2009 (restated) | 3,500,000 | (239,752) | 1,204,192 | (488,749) | 9,528 | (308,634) | (86,441) | (128,826) | (188) | 101,088 | 1,859,748 | 5,421,966 | - | 5,421,966 | |
| Net profit for the year | - | - | - | - | - | - | - | - | - | - | 2,450,857 | 2,450,857 | (122,434) | 2,328,423 | |
| Other comprehensive income/(loss) | - | - | - | - | - | - | 48,730 | (73,058) | 10,073 | - | - | (14,255) | 11,126 | (3,129) | |
| Total comprehensive income | - | - | - | - | - | - | 48,730 | (73,058) | 10,073 | - | 2,450,857 | 2,436,602 | (111,308) | 2,325,294 | |
| Transfer of accumulated deficit to restricted reserves allocated from profits (Note 23) | - | - | 242,018 | - | - | - | - | - | - | 28,018 | (270,036) | -- | - | - | |
| Minority interest before classification to minority put option liability (Note 23) | - | - | - | - | - | - | - | - | - | - | - | -- | 54,354 | 54,354 | |
| Minority put option liability | - | - | - | (94,099) | - | - | - | - | - | - | - | (94,099) | 56,954 | (37,145) | |
| Dividends paid (Note 23) | - | - | - | - | - | - | - | - | - | - | - | (1,589,712) | (1,589,712) | - | (1,589,712) |
| Balance as at 31 December 2010 | 3,500,000 | (239,752) | 1,446,210 | (582,848) | 9,528 | (308,634) | (37,711) | (201,884) | 9,885 | 129,106 | 2,450,857 | 6,174,757 | - | 6,174,757 | |

The accompanying policies and explanatory notes on pages 9 through 98 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))

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Consolidated statement of cash flows for the year ended 31 December 2010 (Currency - in Thousands of Turkish Lira ("TL"))

| | | Current period | Prior period |
|--|------------|--|--------------------------------------|
| | | Audited | Restated (Note 2.2) |
| | | 1 January 2010 - Notes 31 December 2010 | 1 January 2010 - 31 December 2009 |
| Profit for the period before income tax | | 3.127.006 | 2.359.967 |
| Adjustments to reconcile profit before tax to cash provided by operating activities: | | | |
| Depreciation and amortisation and impairment expense | 29 | 1.523.538 | 1.557.418 |
| IFRIC 12 revenue | | (16.193) | (14.186) |
| Gain on sale of property, plant and equipment | | (26.340) | (4.657) |
| Foreign currency exchange income / (expense), net | | 1.071 | (6.008) |
| Interest expense and income, net | | (1.546) | 90.022 |
| Reversal of doubtful receivables | 8, 30 | (185.691) | (179.862) |
| Allowance for doubtful receivables | 8, 12 | 277.349 | 362.547 |
| Provision for employee termination benefits | 22 | 108.187 | 111.945 |
| Curtailment and settlement gain | 22, 30 | (88.657) | (52.140) |
| Litigation provision | 22 | 64.360 | 92.534 |
| Unused vacation provision, net | 22 | (7.816) | 8.614 |
| Loss on derivative financial instruments | | 102.285 | 215.874 |
| Obsolete inventory provision | | 16.080 | - |
| Other provisions | | 1.891 | 2.012 |
| Operating profit before working capital changes | | 4.895.524 | 4.544.080 |
| Net working capital changes in: | | | |
| Trade receivables | | (348.416) | (248.863) |
| Restricted cash | | (185.738) | (27.886) |
| Other current assets and inventories | | (163.232) | (76.354) |
| Trade payables | | 497.829 | (20.975) |
| Other non-current assets | | (46.756) | (38.441) |
| Provisions, other liabilities and other non-current liabilities | | 44.185 | (6.469) |
| Other non-current liabilities and provisions | | 88.257 | (3.073) |
| Payments made for long-term employee benefits | | (138.821) | (127.785) |
| Provisions paid | 22 | (25.885) | (84.628) |
| Taxes paid | 22 | (772.721) | (674.935) |
| Net cash provided by operating activities | | 3.844.226 | 3.234.671 |
| Investing activities | | | |
| Interest received | | 199.933 | 201.879 |
| Acquisition of subsidiary, net of cash acquired | 16 | (237.871) | (331) |
| Proceeds from sale of property, plant, equipment and intangible assets | | 82.086 | 40.179 |
| Purchase of property, plant and equipment, investment property and intangible assets | 19, 20, 21 | (1.804.974) | (2.320.927) |
| Net cash used in investing activities | | (1.760.826) | (2.079.200) |
| Cash flow from financing activities | | | |
| Proceeds from bank borrowings | | 15.354.674 | 21.205.005 |
| Repayment of bank borrowings | | (15.283.572) | (20.659.828) |
| Repayment of obligations under financial leases | | (5.007) | (5.199) |
| Interest paid | | (191.511) | (307.169) |
| Dividends paid | 23 | (1.589.712) | (1.490.157) |
| Derivative instrument payments | | (79.192) | (214.298) |
| Net cash used in financing activities | | (1.794.320) | (1.471.646) |
| Foreign exchange differences from balance sheet | | (11.140) | - |
| Net increase / (decrease) in cash and cash equivalents | | 277.940 | (316.175) |
| Foreign exchange differences on cash and cash equivalents at the beginning of the year | | 1.087 | - |
| Cash and cash equivalents at the beginning of the year | 6 | 110.600 | 426.775 |
| Cash and cash equivalents at the end of the year | 6 | 389.627 | 110.600 |

The accompanying policies and explanatory notes on pages 9 through 98 form an integral part of these consolidated financial statements.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements

for the year ended 31 December 2010

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

1. Corporate organization and activities

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

On 24 August 2005, 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 2010 and 312009, 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 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. The term of the Concession Agreement is 25 years starting from 28 February 2001.

On 30 July 2010, the Company incorporated TT International Holding B.V. ("TT International") in the Netherlands, with 100% ownership interest. On 3 October 2010, TT International acquired TT Global Services B.V. ("TT Global") (formerly named as Maturus Holding B.V.), which is incorporated in Holland.

On 7 October 2010, TT International has completed the 100% share purchase of Pantel International AG (including its subsidiaries) (formerly named Invitel International AG), Pantel International Hungary Kft (formerly named Invitel International Hungary Kft), and S.C. Euroweb Romania S.A (collectively "Pantel Group"), following the fulfilment of the conditions that were included in the preliminary share purchase agreement signed on 18 May 2010 with Invitel International and following grant of the legal approvals. Türk Telekom through its subsidiaries has paid Euro 135.591 for the acquisition. At the date of the acquisition, Pantel Group had a borrowing from its former shareholders at the amount Euro 71.834. At the date of the acquisition, TT Global has repaid the borrowing in the name of Pantel Group so Pantel Group became liable to TT Global at the amount of Euro 71.834. During consolidation corresponding receivable and payable balances are eliminated.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements

for the year ended 31 December 2010 (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 2010 and 2009 are as follows:

| Name of Subsidiary | Place of incorporation and operation | Principal activity | Functional Currency | Effective ownership of the Company (%) | |
|---|--------------------------------------|--|---------------------|--|------------------|
| | | | | 31 December 2010 | 31 December 2009 |
| TTNet Anonim Şirketi ("TTNet") | Turkey | Internet Service Provider | Turkish Lira | 99,96 | 99,96 |
| Avea İletişim Hizmetleri A.Ş. ("Avea") | Turkey | GSM Operator | Turkish Lira | 81,37 | 81,37 |
| Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret Anonim Şirketi ("Argela") | Turkey | Telecommunications Solutions | Turkish Lira | | |
| Innova Bilişim Çözümleri Anonim Şirketi ("Innova") | Turkey | Telecommunications Solutions | Turkish Lira | 99,96 | 99,96 |
| Assist 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 ("TL") | 99,96 | 99,96 |
| Argela - USA. Inc. | USA | Telecommunication Solutions | USD | 99,96 | 99,96 |
| Sebit LLC | USA | Web Based Learning | USD | 99,96 | 99,96 |
| IVEA Software Solutions FZ-LLC ("IVEA") | UAE | Telecommunication Solutions | USD | | |
| SOBEE Yazılım Ticaret Limited Şirketi ("Sobee") | Turkey | Software gaming services | Turkish Lira | 99,96 | 99,96 |
| TT International Holding B.V. ("TT International") | Holland | Holding company | Euro | 99,99 | 99,99 |
| TT Global Services B.V. ("TT Global") | Holland | Service company | Euro | 100 | - |
| Pantel International AG ("Pantel Avusturya") | Austria | Internet/data services, infrastructure and wholesale voice services provider | Euro | 100 | - |
| Pantel International Hungary Kft ("Pantel Macaristan") | Hungary | Internet/data services, infrastructure and wholesale voice services provider | Euro | 100 | - |
| Euroweb Romania S.A. ("Pantel Romanya") | Romania | Internet/data services, infrastructure and wholesale voice services provider | Euro | 100 | - |
| Pantel International Bulgaria EODD ("Pantel Bulgaristan") | Bulgaria | Internet/data services, infrastructure and wholesale voice services provider | Euro | 100 | - |
| Pantel International CZ s.r.o ("Pantel Çek Cumhuriyeti") | Czech Republic | Internet/data services, infrastructure and wholesale voice services provider | Euro | 100 | - |
| Pantel Telcom d.o.o Beograd ("Pantel Sırbistan") | Serbia | Internet/data services, infrastructure and wholesale voice services provider | Euro | 100 | - |
| Pantel Telkomunikacije d.o.o ("Pantel Slovenija") | Slovenia | Internet/data services, infrastructure and wholesale voice services provider | Euro | 100 | - |
| Pantel International SK s.r.o ("Pantel Slovakia") | Slovakia | Internet/data services, infrastructure and wholesale voice services provider | Euro | 100 | - |
| MTCTR Memorex Telekomunikasyon Sanayi ve Ticaret Limited Şirketi ("Pantel Türkiye") | Turkey | Internet/data services, infrastructure and wholesale voice services provider | Turkish Lira | 100 | - |
| Memorex Telex Communications UA Ltd. ("Pantel Ukrayna") | Ukraine | Internet/data services, infrastructure and wholesale voice services provider | Euro | 100 | - |
| Pantel International Italia S.R.L. ("Pantel İtalya") | Italy | Internet/data services, infrastructure and wholesale voice services provider | Euro | 100 | - |
| Pantel International DOOEL Skopje ("Pantel Makedonya") | Macedonia | Internet/data services, infrastructure and wholesale voice services provider | Euro | 100 | - |

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (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)

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 Bulvari, 06103 Aydınlıkevler, Ankara.

The numbers of personnel of the Group as at 31 December 2010, 2009 and 2008 are disclosed in Note 22.

Consolidated financial statements were approved by the Board of Directors of the Company and authorized for issue on 8 February 2011. 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

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

Excluding the subsidiaries incorporated outside of Turkey which are Argela - USA. Inc., IVEA, Sebit LLC, TT International, TT Global and Pantel Group, 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 issued by the Ministry of Finance.

Financial statements of the subsidiaries incorporated outside of Turkey, are prepared according to acts and regulations in which those subsidiaries operate, and to represent in accordance with CMB Accounting Standards necessary changes and classifications are reflected to those financial statements.

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

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

As at 31 December 2010, 2009 and 2008, the consolidated financial statements have been prepared on the historical cost basis except with for the property, plant and equipment and investment property for which the deemed cost method was applied in accordance with IAS 16 "Property, Plant and Equipment" for acquisitions prior to 1 January 2000, derivative financial instruments and minority put option liability which have been reflected at their fair values.

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

In accordance with article 5 of the CMB Accounting Standards, companies should apply IFRS as adopted by the European Union (EU). However, again in accordance with the provisional clause 2 of the same standards adoption of the IFRS as adopted by the EU is postponed until the Turkish Accounting Standards Board declares the differences between the IFRS as adopted by the EU and the IFRS as adopted by the International Accounting Standards Board (IASB). Thus, as at and for the year ended 31 December 2010, the Group prepared its consolidated financial statements in accordance with IFRS adopted by the IASB.

Additional paragraph for convenience translation to English:

As at 31 December 2010, the accounting principles described in Note 2 (defined as CMB Accounting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting and also for certain disclosures requirement of the CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

Classifications applied to financial statements as of 31 December 2009

In order to be comparable with the balance sheet and income statement dated 31 December 2010, below explained classifications are made to the comparative consolidated balance sheets and income statement.

Interest cost related with defined benefit obligation which was classified under cost of sales, marketing, sales and distribution and general administration expenses in the consolidated income statement as of 31 December 2009 at the amount of TL 47.787, TRY 4.966 and TL 18.864, respectively, is reclassified to financial expense.

Due to personnel amounting to TL 23.624 (2008 – TL 30.800), taxes and duties payable amounting to TL 221.436 (2008 – TL 247.035) and social security premiums payable amounting to TL 19.306 (2008 – TL 22.105) that were included in other current liabilities account in the consolidated balance sheet as of 31 December 2009 are reclassified to other payables account.

As of 31 December 2009 and 2008, Group reclassified the free deposits amounting to TL 207.081 and TL 189.334, respectively to restricted deposits.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements

for the year ended 31 December 2010 (continued)

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

2. Basis of preparation financial statements (continued)

2.2 Changes in accounting policies

The Group has started to account actuarial gain and loss in the consolidated statement of comprehensive income which was previously presented in consolidated income statement. Accordingly, due to this accounting policy change financial statements as of 31 December 2009 and 2008 have been restated. Since the Group has accounted all actuarial gains and losses related with the defined benefit plans according to paragraph 93 A of IAS 19, the Group has right to account actuarial gain and in consolidated statement of comprehensive income. The Group decided to account actuarial gains and losses in the consolidated statement of comprehensive income with the belief that such presentation is more reliable and accurate and taking into consideration the final exposure draft "Defined Benefit Plans - Proposed amendments to IAS 19" released by the IASB in April 2010 which propose recognition of actuarial gains and losses in consolidated statement of comprehensive income and, however, the monetary effect of this change on future financial statements could not be estimated.

Due to change in accounting of actuarial gains in the consolidated statement of comprehensive income, restatement effects in consolidated financial statements as of 31 December 2009 and 2008 are summarized below.

| | December 31, 2009 Before Accounting Policy Change | December 31, 2009 After Accounting Policy Change | Difference | December 31, 2008 Before Accounting Policy Change | December 31, 2008 After Accounting Policy Change | Difference |
|--|---|---|------------|---|---|------------|
| Actuarial gain/loss reserve due to retirement plan | - | (128.826) | (128.826) | - | (100.808) | (100.808) |
| Retained earnings | 280 | 101.088 | 100.808 | (288.991) | (160.891) | 128.100 |
| Net income | 1.831.730 | 1.859.748 | 28.018 | 1.752.212 | 1.724.919 | (27.293) |
| Other operating income | 493.581 | 493.581 | - | 310.726 | 274.955 | (35.771) |
| Other operating expense (-) | (190.034) | (155.032) | 35.002 | (54.291) | (52.659) | 1.632 |
| Deferred tax expense | 58.097 | 51.343 | (6.754) | 134.954 | 142.108 | 7.154 |
| Profit for the year attributable to equity holders of the parent | 1.831.730 | 1.859.748 | 28.018 | 1.752.212 | 1.724.919 | (27.293) |
| Profit for the year attributable to minority interest | (179.703) | (179.473) | 230 | (124.842) | (124.534) | 308 |

New standards and interpretations:

The accounting policies adopted in the preparation of the consolidated financial statements as at 31 December 2010 are consistent with those followed in the preparation of the consolidated financial statements of the prior year, except for the adoption of new standards and IFRIC interpretations summarized below. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

2. Basis of preparation financial statements (continued)

2.2 Changes in accounting policies

The new standards, amendments and interpretations which are effective as at 1 January 2010 are as follows:

- IFRIC 17 "Distributions of Non-cash Assets to Owners",
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – "Eligible Hedged Items",
- IFRS 2 Group Cash-settled Share-based Payment Transactions (Amended)
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)
- Improvements to IFRSs, May 2008
- Improvements to IFRSs, April 2009

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

The interpretation provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability. The interpretation does not have any effect on Group's financial position or performance.

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

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The interpretation does not have any effect on the Group's financial position or performance.

IFRS 2 Group Cash-settled Share-based Payment Transactions (Amended)

This amendment clarifies the accounting for group cash-settled share-based payment transactions and how such transactions should be arranged in the individual financial statements of the subsidiary. The interpretation does not have any effect on Group's financial position or financial performance.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

2. Basis of preparation financial statements (continued)

2.2 Changes in accounting policies

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

The revised IFRS 3 introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognising 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. Group's acquisitions occurred during 2010 are accounted in accordance with revised IFRS 3. Also, the consolidated financial statements as of 31 December 2010 have been prepared in accordance with revised IAS 27.

Amendments resulting from improvements to IFRSs (April 2009) to the following standards which had or did not have an effect on the accounting policies, financial position or performance of the Group:

- **IFRS 2 Share-based Payment**
- **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations**
- **IFRS 8 Operating Segment Information**
- **IAS 1 Presentation of Financial Statements**
- **IAS 7 Statement of Cash Flows**
- **IAS 17 Leases**
- **IAS 36 Impairment of Assets**
- **IAS 38 Intangible Assets**

Clarifies that if an intangible asset acquired in business combination is identifiable only with another intangible asset, the acquirer may recognise the group of intangible assets as a single asset provided the individual assets have similar useful lives. Also, clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used. If an entity applies IFRS 3 (revised) for an earlier period, the amendment shall also be applied for that earlier period. Group has considered effects of improvements on standards during purchase of Pantel Group.

- **IAS 18 Revenue**

The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

1. Has primary responsibility for providing the goods or service
2. Has inventory risk
3. Has discretion in establishing prices
4. Bears the credit risk

Group decides whether it acted as agent or principle when recognizing revenues related to equipments sales considering the improvements in appliance guide.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements

for the year ended 31 December 2010 (continued)

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

2. Basis of preparation financial statements (continued)

2.2 Changes in accounting policies

- IFRIC 9 Reassessment of Embedded Derivatives
- IAS 39 Financial Instruments: Recognition and Measurement – Items Accepted as Protected From Financial Risk
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. The interpretation does not have any effect on Group's consolidated financial position or performance.

Standards issued but not yet effective and not early adopted

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The interpretation is effective for annual periods beginning on or after 1 July 2010. This interpretation addresses the accounting treatment when there is a renegotiation between the entity and the creditor regarding the terms of a financial liability and the creditor agrees to accept the entity's equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies such equity instruments are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The interpretation does not have any effect on Group's financial position or performance.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amended)

The amendment is effective for annual periods beginning on or after 1 January 2011. The purpose of this amendment was to permit entities to recognise as an asset some voluntary prepayments for minimum funding contributions. This Earlier application permitted and must be applied retrospectively. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

IFRS 9 Financial Instruments – Phase 1 financial assets, classification and measurement

The new standard is effective for annual periods beginning on or after 1 January 2013. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial assets. 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.

IAS 32 Classification on Rights Issues (Amended)

The amendment is effective for annual periods beginning on or after 1 February 2010. This amendment relates to the rights issues offered for a fixed amount of foreign currency which were treated as derivative liabilities by the existing standard. The amendment states that if certain criteria are met, these should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is to be applied retrospectively. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

2. Basis of preparation financial statements (continued)

2.2 Changes in accounting policies

IAS 24 Related Party Disclosures (Revised)

The revision is effective for annual periods beginning on or after 1 January 2011. This revision relates to the judgment which is required so as to assess whether a government and entities known to the reporting entity to be under the control of that government are considered a single customer. In assessing this, the reporting entity shall consider the extent of economic integration between those entities. Early application is permitted and adoption shall be applied retrospectively. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

IAS 12 Deferred Tax: Recovery of Underlying Assets (Amendment)

The amendments are mandatory for annual periods beginning on or after 1 January 2012, but earlier application is permitted. IAS 12 has been updated to include i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. This standard has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

In May 2010 the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The effective dates of the improvements are various and the earliest is for the financial year beginning 1 July 2010. Early application is permitted in all cases and this annual improvements project has not yet been endorsed by the EU.

IFRS 3 Business Combinations, effective for annual periods beginning on or after 1 July 2010

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

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

Finally, it requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

2. Basis of preparation financial statements (continued)

2.2 Changes in accounting policies

IFRS 7 Financial Instruments: Disclosures, effective for annual periods beginning on or after 1 January 2011

This improvement gives clarifications of disclosures required by IFRS 7 and emphasises the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

IAS 1 Presentation of Financial Statements, effective for annual periods beginning on or after 1 January 2011

This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

IAS 27 Consolidated and Separate Financial Statements, effective for annual periods beginning on or after 1 July 2010

This improvement clarifies that the consequential amendments from IAS 27 made to IAS 21 "The Effect of Changes in Foreign Exchange Rates", IAS "28 Investments in Associates" and IAS 31 "Interests in Joint Ventures" apply prospectively for annual periods beginning on or after 1 July 2009 or earlier when IAS 27 is applied earlier. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

IAS 34 Interim Financial Reporting, effective for annual periods beginning on or after 1 January 2011

This improvement provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

IFRIC 13 Customer Loyalty Programmes, effective for annual periods beginning on or after 1 January 2011

This improvement clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

IFRS 7 Financial Instruments: Disclosures as part of its comprehensive review of off balance sheet activities (Amended) (The amendment is effective for annual periods beginning on or after 1 July 2011)

The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitisations), 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. The amendments broadly align the relevant disclosure requirements of IFRSs and US GAAP. This amendment has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

2. Basis of preparation financial statements (continued)

2.3 Basis of consolidation

As at 31 December 2010, the consolidated financial statements include the financial results of Türk Telekom, TTNet, Avea, Innova, Argela, AssisTT, Sebit, Sobee, Argela - USA, Inc, IVEA, Sebit LLC, TT International, TT Global, Pantel Austria, Pantel Hungary, Pantel Romania, Pantel Bulgaria, Pantel Czech Republic, Pantel Serbia, Pantel Slovenia, Pantel Slovakia, Pantel Turkey, Pantel Ukraine, Pantel Italy and Pantel Macedonia. 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. Losses within a subsidiary are attributed to minority interest even if that result in deficit balance. As at 31 December 2010, minority interest in Innova, Argela, AssisTT, Sebit, Sobee, Argela - USA, Inc, IVEA and Sebit LLC have not been recognised in the consolidated financial statements due to their immateriality.

On 15 September 2006, the Company, Türkiye İş Bankası A.Ş. (İş Bank) and the companies controlled by İş Bank (altogether will be referred as İş Bank Group) signed an "Amendment Agreement" to the "Shareholder Agreement" and the "IPO and Put Option Agreement" originally dated 15 February 2004. In accordance with the Amendment Agreement, the Company has granted a put option to İş Bank Group, the minority shareholder in Avea, on the shares owned by İş Bank Group. In order to reflect the minority put option liability in the consolidated financial statements, the minority interest is reclassified as minority put option liability as "long term liabilities" after appropriation to the minority interest of its share of recognized income and expense for the year. The value of the minority interest before the fair value calculation and the fair value amount is classified as 'minority put option liability reserve' based on the Group accounting principles applied for the acquisition of the minority shares (Notes 11 and 23).

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

3. Valuation basis and Significant accounting policies applied

Business combinations

Before 1 January 2010, business combinations are accounted using the acquisition method. Accordingly, acquisitions are recognised at cost. Transaction costs that are directly attributable to the acquisition formed part of the acquisition cost. Acquisition method requires allocation of the acquisition cost to the assets acquired and liabilities assumed at their fair values on the date of acquisition. Accordingly, acquired assets and liabilities assumed are recognised at IFRS 3 fair values on the date of acquisition. Acquired company is consolidated starting from the date of acquisition. Purchase consideration is the sum of fair values of assets transferred by Group and liabilities assumed against the former shareholders of the acquired company as of the date of the acquisition.

If the fair values of the assets and liabilities are based on provisional assessment as at the balance sheet date, the Group made provisional accounting.

For acquisitions occurred after 1 January 2010, the Group implemented revised IFRS 3 "Business Combination" which is effective as of 1 January 2010. In comparison to the above mentioned requirements, the following differences applied:

All transaction costs incurred by the Group have been recognized in general administrative expenses.

Acquisition of Pantel Group on 7 October 2010 has been accounted in accordance with revised IFRS 3 and acquired assets and assumed liabilities are recognised in consolidated financial statements based on fair values. As disclosed in Note 26, on the acquisition date, Euro 71.834 was paid to former shareholders for the transfer of shareholder loan to the Group. The paid amount to the former shareholders has not been included purchase price since it will be collected from Pantel Group.

Goodwill

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

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

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

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

Investment in an associate

As of 31 December 2010, 2009 and 2008, the Group accounted its 20% shareholding in Cetel as financial investments in the consolidated financial statements. As of 31 December 2010, 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.

Property, plant and equipment

Property, plant and equipment ("PPE") of the Group is carried at cost less accumulated depreciation and any accumulated impairment losses. The Group elected to measure property, plant and equipment of the Company on a deemed cost basis in the first period of application of IAS 29 "Financial Reporting in Hyper Inflationary Economy" since detailed records of the acquisition date and costs of items of PPE were not available for the Company prior to 1 January 2000. The 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 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:

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

(*) The remaining useful lives of the PPE are limited to the concession periods. Considering the Concession Agreement useful lives of purchases made in 2010 are limited to 16 years.

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

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

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

Revenue sharing projects

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

Investment property

Investment properties, which are properties held to earn rent and/or for capital appreciation are measured initially at cost, including transaction costs and subsequent to initial recognition, investment properties, are stated at their cost less accumulated depreciation and any accumulated impairment losses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. The Group decided to measure investment property on a deemed cost basis in the first period of application of IAS 16, since detailed records of the acquisition date and costs of items of investment property were not available prior to 1 January 2000. Professional assessments of the 1 January 2000 market values were conducted by 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, 2010 acquisitions' useful lives are limited to 16 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.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued) (Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

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

Assets held for sale (continued)

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, 2010 acquisitions' useful lives are limited to 16 years.

Research and development costs

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

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

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

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

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

Impairment of property, plant and equipment and intangible assets excluding goodwill (continued)

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 consist of cash and cash equivalents, trade receivables, financial assets, other receivables, derivative financial instruments and receivable from related parties. Financial liabilities consist of trade payables, payable to related parties, financial debt and other payables.

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

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

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued) (Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

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

Financial instruments (continued)

Cash and cash equivalents

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

Trade and other receivables and allowances for doubtful receivables

Trade receivables are recognized at original invoice amount however subsequently they are carried at original invoice amount less allowance for any uncollectible amounts. Subsequent to initial recognition, trade receivables are measured at amortized cost. None interest rate bearing short term receivables are measured at original invoice amount unless the effect of imputing interest is significant.

Trade and other payables

Trade and other payables are initially measured at fair value. None interest rate bearing short term payables are measured at original invoice amount unless the effect of imputing interest is significant.

Financial borrowings

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

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

Derivative financial instruments

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

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

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

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

Financial instruments (continued)

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company assesses the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. It is expected that hedge transaction is to be effective in stabilize changes between changes in fair value or cash flow. During all financial reporting periods in which it is defined, hedge transaction is evaluated continuously for identification of effectiveness and it is expected to be consistent with documented risk management strategy.

Cash flow hedges

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

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

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

If the forecast transaction or commitment is no longer expected to occur, amounts previously recognized in the consolidated statement of comprehensive income are transferred to consolidated income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Equity instruments

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

Derecognition of financial assets and liabilities

Financial assets

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

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

Derecognition of financial assets and liabilities (continued)

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

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

Impairment of financial assets

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

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

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

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

Related parties

Parties are considered related to the Group if;

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

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

Long-term employee benefits

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

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

Provisions

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued) (Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

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

Contingent assets and liabilities

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

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

Taxation and deferred income taxes

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

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

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

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

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

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

Prepaid corporation taxes and corporate tax liabilities are offset when they relate to income taxes levied by the same taxation authority.

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Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

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

Leasing - the Group as lessor

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

Leasing - the Group as lessee

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

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

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

Offsetting

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

Revenue recognition

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

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

Fixed-line revenues

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

Revenues from sale of Indefeasible Right of Use are accounted over the term of the contract.

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Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

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

Revenue recognition (continued)

GSM revenues

Revenues generated from mobile telecommunication services such as outgoing and incoming traffic, roaming revenues, revenues from value added services and monthly fees which are recognised at the time services are rendered. With respect to prepaid outgoing revenues, the Group generally collects cash in advance by selling scratch cards to dealers and distributors. In such cases, the Group does not recognize revenues until the subscribers use the service and present such amounts under deferred revenues in the consolidated financial statements.

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

Equipment sales revenues

Revenues from sales of phone device, modem and other network equipments are recorded as revenue at the time of delivery of equipments to customers.

In connection with campaigns, other telecommunication services may be bundled with phone devices and modems. Total arrangement consideration relating to the bundled contract are allocated among the different units if the component has standalone value to the customer and the fair value of the component can be measured reliably. The arrangement consideration is allocated to each deliverable in proportion to the fair value of the individual deliverables. Revenue attributed to delivered component is limited with the amount not contingent to the undelivered component. Equipment revenues are presented in other revenues. Cost of products and services are recorded as expense when related revenue recorded.

Borrowing costs

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

Other income

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

Subscriber acquisition costs

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

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

Effects of changes in exchange rates

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange rate at the reporting date. Foreign currency differences arising on translation of foreign currency transactions are recognised in the income statement. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined.

For the subsidiaries whose functional currency is not TL assets and liabilities are retranslated to TL at the exchange rate ruling at the reporting date. The income and expenses are translated to TL at exchange rates approximating to the exchange rates at the dates of the transactions. Foreign currency differences arising on retranslation are recognised directly in equity under currency translation reserve.

Goodwill and fair value differences that arose as a result of acquisition of foreign operation is determined as asset and liability of the foreign operation and translated to TL using the exchange rate at the reporting date.

4. Critical accounting judgments and key sources of estimation uncertainty

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

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

Minority Put Option Liability – On valuing the minority put option liability; the Group considered that there will be no Initial Public Offering ("IPO") for Avea before 1 January 2015 and, therefore, expects that the put option will be exercisable at the earliest as at 1 January 2015.

Sales Campaign Income: Group makes campaigns with suppliers under which they bundle telecommunication services with equipments supplied by the suppliers. There is no definite guidance to determine whether the Group is acting as an agent or principle under IFRS. Accordingly, Group management accounts bundled offers as an agent if the sale transaction satisfies the below conditions:

- Group, has no inventory risk.
- Group has no responsibility on technical qualifications of equipments delivered to customers. Responsibility after sale belongs to supplier.
- Group does not make any modification on the equipments.
- Group shares credit risk with the supplier.
- Group earns either a fixed rate of commission or zero profit on the transaction.

Prepaid Card Sales Agent - Principal Analysis: Since Avea is primarily responsible for providing the service, has credit and inventory risk and determinant in setting prices; starting from April 2010, Avea recognizes prepaid card incomes on gross basis.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

(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 (continued)

Content Sales- Since Avea is primarily responsible for providing the service, has credit and determinant in setting prices; Avea recognizes content revenues on gross basis

Critical judgments of the Group in relation with IFRIC 12 are explained in "key sources of estimation uncertainty" in IFRIC 12 section.

Key sources of estimation uncertainty

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

- a) The Group determines whether property, plant and equipment is impaired by estimating the recoverable amount of the assets whenever there is an indication of impairment. This requires an estimation of the value in use of the cash-generating units. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.
- b) The estimates used by the Company in the application of IFRIC 12 are as follows:
 - i) As of 31 December 2010, 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 9.328 (Note 22) in the consolidated financial statements for the foreseen contractual replacements in the future. Aforementioned provision is the present value as at 31 December 2010 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 as of 31 December 2010. The profit margin of property, plant and equipment accounted within the scope of IFRIC 12 amounting to TL 140.755 (2009 – TL 123.305) (Note 21) is TL 16.193 for the year ended as of 31 December 2010 (2009 – TL 14.186).

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

(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

Key sources of estimation uncertainty (continued)

- c) A deferred tax asset is recognized only to the extent that it is probable that a tax benefit will be realized in the future. If it is probable that a tax benefit will be realized, a deferred tax asset is recognized on unused tax losses, unused tax credits and other deductible temporary differences. With the expectation to recover certain part of its tax losses carried forward in Avea, the Group has recognized deferred tax assets on statutory tax losses available for offsetting with future statutory taxable profits amounting to TL 245.000. Every year, the Group reassesses its tax loss carry forwards and if there is a material change in the deferred tax asset recognized in the consolidated financial statements, the deferred tax assets are also changed.
- d) Assumptions used in the impairment test of property, plant and equipment and intangible assets have been explained in Notes 18 and 20.
- e) The impairment losses in trade and other receivables are based on management's evaluation of the volume of the receivables outstanding, historical collection trends and general economic conditions. The Group follows collection of trade receivables periodically and on the basis of previous years collection ratios, records provisions in case of losses due to trade receivables. Should economic conditions, collection trends or any specific industry trend worsen compared to management estimates, allowance for doubtful receivables recognised in consolidated financial statements may not be sufficient to cover bad debts.
- f) Assumptions used by Company during Pantel valuation of tangible and intangible assets, financial liabilities and indefeasible usage rights agreements are explained in Note 26.
- g) Assumptions used by Company in goodwill impairment test are explained in Note 18. The Group determines the useful life of an asset by considering its future economic benefit. This evaluation is driven by the Group's previous experience on similar experiences. The Group also considers useful life of the asset from technical and commercial perspectives due to changes and developments in market in order to assess whether additional impairment is required or not.
- h) There are other estimations made by the management during the determination of useful lives and provisions for litigations (Note 22).

Significant accounting judgments and changes in use of estimates

The Group calculates market value of minority share put opinion liability, based on discounted cash flow method after 1 January 2015. Value of the liability is determined as of 1 January 2015 and discounted to 31 December 2010 (The details have been explained in Note 11).

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements

for the year ended 31 December 2010 (continued)

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

| | Fixed line | | Mobile | | Eliminations | | Consolidated | |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 1 January- 31 December 2010 | 1 January- 31 December 2009 | 1 January- 31 December 2010 | 1 January- 31 December 2009 | 1 January- 31 December 2010 | 1 January- 31 December 2009 | 1 January- 31 December 2010 | 1 January- 31 December 2009 |
| Revenue | | | | | | | | |
| Domestic PSTN | 4.254.609 | 4.580.892 | - | - | - | - | 4.254.609 | 4.580.892 |
| ADSL | 2.473.009 | 2.140.167 | - | - | - | - | 2.473.009 | 2.140.167 |
| GSM | - | - | 2.646.343 | 2.504.083 | - | - | 2.646.343 | 2.504.083 |
| IFRIC 12 revenue | 140.755 | 123.305 | - | - | - | - | 140.755 | 123.305 |
| Data service revenue | 364.451 | 302.134 | - | - | - | - | 364.451 | 302.134 |
| International sales | 228.566 | 193.951 | - | - | - | - | 228.566 | 193.951 |
| Interconnection revenue | 283.401 | 244.210 | - | - | - | - | 283.401 | 244.210 |
| Leased lines | 485.602 | 578.567 | - | - | - | - | 485.602 | 578.567 |
| Rent income from GSM operators | 100.535 | 115.429 | - | - | - | - | 100.535 | 115.429 |
| Other | 180.186 | 107.796 | - | - | - | - | 180.186 | 107.796 |
| Eliminations | - | - | - | - | (304.987) | (322.073) | (304.987) | (322.073) |
| Total revenue | 8.511.114 | 8.386.451 | 2.646.343 | 2.504.083 | (304.987) | (322.073) | 10.852.470 | 10.568.461 |
| Cost of sales and operating expenses | | | | | | | | |
| (excluding depreciation and amortization) | (4.439.190) | (4.436.075) | (2.349.982) | (2.437.247) | 306.843 | 322.073 | (6.482.329) | (6.551.249) |
| Other operating income / (expense) | 434.752 | 351.486 | 35.579 | (11.519) | (5.768) | (1.418) | 464.563 | 338.549 |
| Depreciation and amortization and impairment | (891.956) | (980.018) | (633.230) | (577.400) | 1.648 | - | (1.523.538) | (1.557.418) |
| Earnings before interest, tax, depreciation and amortization ("EBITDA") | 4.506.676 | 4.301.862 | 331.940 | 55.317 | (3.912) | (1.418) | 4.834.704 | 4.355.761 |
| Doubtful receivable provision expense | 200.394 | 268.254 | 76.955 | 94.293 | - | - | 277.349 | 362.547 |
| Capital expenditure | 1.263.118 | 1.326.614 | 470.225 | 1.154.503 | (68) | (10.925) | 1.733.275 | 2.470.192 |

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

5. Segment reporting (continued)

| | 1 January- 31 December 2010 | 1 January- 31 December 2009 |
|---------------------------------------|-----------------------------------|-----------------------------------|
| Fixed line segment EBITDA | 4.506.676 | 4.301.862 |
| Mobile segment EBITDA | 331.940 | 55.317 |
| Inter-segment eliminations | (3.912) | (1.418) |
| Consolidated EBITDA | 4.834.704 | 4.355.761 |
| Financial income | 424.405 | 295.438 |
| Financial expenses (-) | (608.565) | (733.814) |
| Depreciation and amortisation | (1.523.538) | (1.557.418) |
| Consolidated profit before tax | 3.127.006 | 2.359.967 |

31 December 2010

| | Fixed line | Mobile | Eliminations | Other unallocated amounts | Total |
|---------------------------|-------------|-------------|--------------|---------------------------|-------------|
| Total segment assets | 13.624.941 | 4.926.645 | (3.504.438) | 52.873 (*) | 15.100.021 |
| Total segment liabilities | (7.200.372) | (4.736.921) | 3.537.924 | (525.894) (**) | (8.925.263) |

31 December 2009

| | Fixed line | Mobile | Eliminations | Other unallocated amounts | Total |
|---------------------------|-------------|-------------|--------------|---------------------------|-------------|
| Total segment assets | 11.042.021 | 4.878.136 | (2.567.967) | 49.172(*) | 13.401.362 |
| Total segment liabilities | (5.405.444) | (4.044.274) | 2.013.425 | (543.103)(**) | (7.979.396) |

31 December 2008

| | Fixed line | Mobile | Eliminations | Other unallocated amounts | Total |
|---------------------------|-------------|-------------|--------------|---------------------------|-------------|
| Total segment assets | 8.343.568 | 4.403.650 | (136.507) | 48.735(*) | 12.659.446 |
| Total segment liabilities | (3.748.375) | (2.759.373) | (451.653) | (586.439)(**) | (7.545.840) |

(*) Includes goodwill amounting to TL 52.873 (2009 – TL 49.172, 2008 – TL 48.735).

(**) Includes minority put option liability amounting to TL 525.894 (2009 - 543.103, 2008 – TL 586.439).

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Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

6. Cash and cash equivalents

| | 31 December 2010 | 31 December 2009 | 31 December 2008 |
|---------------------------------|------------------|------------------|------------------|
| Cash on hand | 1.094 | 964 | 1.305 |
| Cash at banks – Demand deposits | 397.065 | 276.441 | 246.452 |
| Cash at banks – Time deposits | 820.483 | 476.168 | 793.776 |
| Other | 365 | 120 | 449 |
| | 1.219.007 | 753.693 | 1.041.982 |

As of 31 December 2010, time deposits are all short-term, maturing within one month and denominated in both foreign currencies and TL. The interest rates are between 4,00% - 9,50% for TL deposits, between 0,25% - 2,90% for USD deposits and between 0,50% - 3,60% for Euro deposits. (31 December 2009 – for TL deposits between 4,00% and 10,80% for TL deposits, for USD deposits between 0,17% and 1,50% and for Euro deposits between 0,29% and 0,29%).

As of 31 December 2010, TL 169.821 (2009 - TL 189.404; 2008 - TL 258.092) of time deposits represents advances received from the Turkish Armed Forces for Turkish Armed Forces Integrated Communication Systems ("TAFICS") projects. The interest income from these time deposits are added to the advances received and not reflected in the consolidated statement of income as per agreement between parties (Note 15). These time deposits are restricted and can only be used for payments related to TAFICS projects.

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

| | 31 December 2010 | 31 December 2009 | 31 December 2008 |
|--|------------------|------------------|------------------|
| Cash and cash equivalents | 1.219.007 | 753.693 | 1.041.982 |
| - TAFICS projects | (169.821) | (189.404) | (258.092) |
| - Collection protocols | (308.128) | (254.807) | (155.794) |
| - Restricted deposits in relation to bank borrowings | (332.851) | (188.508) | (189.334) |
| - ATM collection | (5.227) | (3.480) | (3.722) |
| - Other | (13.353) | (6.894) | (8.265) |
| | 389.627 | 110.600 | 426.775 |

As of 31 December 2010, demand deposits amounting to TL 308.128 (2009 - TL 254.807; 2008 - TL 155.794) is restricted due to collection protocols signed with banks for receipts from the subscribers, under which proceeds are made available to the Group a certain number of days after the cash is collected. As of 31 December 2010, TL 219.938 (2009 - TL 188.508; 2008 - TL 189.334) of restricted deposits in relation to bank borrowings consist of blocked time deposits related to Avea's bank borrowing agreements and remaining Euro 55.104 (equivalent to TL 112.914) represent the Company's deposits that are restricted as a guarantee of TT Global's bank borrowing. An additional amount of TL 5.227 arising from collections through automated teller machine ("ATM") is not available for use at 31 December 2010 (2009 - TL 3.469; 2008 - TL 3.722).

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 609.236 TL at 31 December 2010 ; 2009 - TL 337.947; 2008 – TL 550.480) in favour of Security Trustee. Avea is required to pledge any new bank account as they are opened and also to inform the Security Trustee on a monthly basis about such new accounts as well as the closed accounts.

Out of TL 1.219.007, cash and cash equivalents amounting to TL 609.271 (2009 – TL 338.053; 2008 – TL 550.576) belongs to Avea.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)**

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

7. Financial liabilities - Net

| | 31 December 2010 | | | 31 December 2009 | | | 31 December 2008 | | |
|---|---|--------------------|------------------|---|--------------------|------------------|---|--------------------|------------------|
| | Weighted average nominal interest rate% | Original amount | TL equivalent | 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 | 6,39% | 669.284 | 669.284 | 7,54% | 1.571.182 | 1.571.182 | 22,80% | 738.281 | 738.281 |
| USD bank borrowings with variable interest rates | - | - | - | 3,23% | 70.000 | 105.399 | 4,52% | 185.000 | 279.776 |
| Euro bank borrowings with fixed interest rates | 4,00% | 55.104 | 112.914 | - | - | - | - | - | - |
| Interest accruals: | | | | | | | | | |
| TL bank borrowings with fixed interest rates | 231 | 231 | - | 22.087 | 22.087 | - | 17.034 | 17.034 | - |
| USD bank borrowings with fixed interest rates | 1.098 | 1.698 | - | 140 | 211 | - | - | - | - |
| USD bank borrowings with variable interest rates | 7.686 | 11.883 | - | 5.705 | 8.590 | - | 25.563 | 38.659 | - |
| Euro bank borrowings with fixed interest rates | 248 | 508 | - | - | - | - | - | - | - |
| Euro bank borrowings with variable interest rates | 4.432 | 9.082 | - | 389 | 840 | - | 1.532 | 3.279 | - |
| Short-term portion of long-term bank borrowings: | | | | | | | | | |
| USD bank borrowings with fixed interest rates | 2,94% | 132.936 | 205.519 | 2,90% | 12.994 | 19.565 | - | - | - |
| USD bank borrowings with variable interest rates (*) | 3,15% | 301.683 | 466.402 | 3,14% | 168.523 | 253.745 | 6,23% | 129.069 | 195.190 |
| Euro bank borrowings with variable interest rates (**) | 4,07% | 188.212 | 385.665 | 4,44% | 80.183 | 173.219 | 7,84% | 6.240 | 13.359 |
| Total short-term borrowings | | 1.863.186 | | | 2.154.838 | | | 1.285.578 | |
| Long-term borrowings: | | | | | | | | | |
| USD bank borrowings with fixed interest rates | 2,94% | 125.576 | 194.140 | 2,90% | 80.038 | 120.513 | - | - | - |
| USD bank borrowings with variable interest rates (*) | 3,15% | 669.271 | 1.034.693 | 3,14% | 632.005 | 951.610 | 6,23% | 1.304.882 | 1.973.373 |
| Euro bank borrowings with fixed interest rates | 6,83% | 11.378 | 23.315 | - | - | - | - | - | - |
| Euro bank borrowings with variable interest rates (**) | 4,07% | 511.786 | 1.048.701 | 4,44% | 326.430 | 705.186 | 7,84% | 69.848 | 149.531 |
| Total long-term borrowings | | 2.300.849 | | | 1.777.309 | | | 2.122.904 | |

(*) Libor + (varies between 1,70 – 3,75) spread
 (**) Euribor + (varies between 0,93 – 3,75) spread

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7. Financial Liabilities - Net (continued)

As of 31 December 2010 the fair value of the bank borrowings is TL 4.149.376 (2009 - TL 3.953.298; 2008 - TL 3.403.356). Avea's total borrowings included in the consolidated financial statements amount to TL 923.825 (2009 - TL 1.141.454 ; 2008 - TL 2.369.672).

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

| | 31 December 2010 | | | | 31 December 2009 | | | | 31 December 2008 | | | | | | | |
|---|----------------------|------------------------|----------------------|------------------------|------------------|-------------------|------------------------|----------------------|------------------------|-----------|-------------------|------------------------|----------------------|------------------------|-------|-----------|
| | Up to 3 months | months to 1 year | 1 year to 5 years | More than 5 year | Total | Up to 3 months | months to 1 year | 1 year to 5 years | More than 5 year | Total | Up to 3 months | months to 1 year | 1 year to 5 years | More than 5 year | Total | |
| | | | | | | | | | | | | | | | | |
| TL bank borrowings with fixed interest rates | 666.708 | 2.807 | - | - | 669.515 | 1.593.269 | - | - | - | 1.593.269 | 755.315 | - | - | - | - | 755.315 |
| USD bank borrowings with fixed interest rates | 2.983 | 204.234 | 120.690 | 73.450 | 401.357 | 466 | 19.310 | 120.513 | - | 140.289 | - | - | - | - | - | - |
| USD bank borrowings with variable interest rates | 181.015 | 297.270 | 1.023.959 | 10.734 | 1.512.978 | 119.414 | 248.320 | 951.610 | - | 1.319.344 | 133.498 | 380.128 | 1.973.372 | - | - | 2.486.998 |
| EUR bank borrowings with variable interest rates | 113.422 | - | 23.315 | - | 136.737 | - | - | - | - | - | - | - | - | - | - | - |
| Euro bank borrowings with variable interest rates | 20.896 | 373.851 | 952.573 | 96.128 | 1.443.448 | 7.580 | 166.479 | 705.186 | - | 879.245 | 9.958 | 6.679 | 149.532 | - | - | 166.169 |
| | 985.024 | 878.162 | 2.120.537 | 180.312 | 4.164.035 | 1.720.729 | 434.109 | 1.777.309 | - | 3.932.147 | 898.771 | 386.807 | 2.122.904 | - | - | 3.408.482 |

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

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7. Financial Liabilities - Net (continued)

The re-pricing or the earlier contractual maturities of bank borrowings in equivalent of TL are as follows:

| | 31 December 2010 | | | | | 31 December 2009 | | | | | 31 December 2008 | | | | | | | | | |
|---|-------------------|-----------|--------------------------|--------|------------------------|------------------|-------------------|--------|--------------------------|-----------|----------------------|---------------------|---------|-------------------|---|--------------------------|---|----------------------|---------------------|-------|
| | Up to 3 months | | 3 months to 1 year | | More than 5 year | Total | Up to 3 months | | 3 months to 1 year | | 1 year to 5 years | More than 5 year | Total | Up to 3 months | | 3 months to 1 year | | 1 year to 5 years | More than 5 year | Total |
| | | | | | | | | | | | | | | | | | | | | |
| TL bank borrowings with fixed interest rates | 666.708 | 2.807 | - | - | 669.515 | 1.593.269 | - | - | - | - | 1.593.269 | 755.315 | - | - | - | - | - | - | 755.315 | |
| USD bank borrowings with fixed interest rates | 2.983 | 204.234 | 120.690 | 73.450 | 401.357 | 466 | 19.310 | 67.754 | 52.759 | 140.289 | - | - | - | - | - | - | - | - | - | |
| USD bank borrowings with variable interest rate | 1.325.946 | 187.032 | - | - | 1.512.978 | 1.053.464 | 265.880 | - | - | - | 1.319.344 | 2.204.466 | 282.532 | - | - | - | - | - | 2.486.998 | |
| Euro bank borrowings with fixed interest rates | 113.422 | - | 23.315 | - | 136.737 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Euro bank borrowings with variable interest rates | 569.950 | 873.498 | - | - | 1.443.448 | 80.553 | 798.692 | - | - | - | 879.245 | 166.169 | - | - | - | - | - | - | 166.169 | |
| | 2.679.009 | 1.267.571 | 144.005 | 73.450 | 4.164.035 | 2.727.752 | 1.083.882 | 67.754 | 52.759 | 3.932.147 | 3.125.950 | 282.532 | - | - | - | - | - | 3.408.482 | | |

The following borrowings of Avea as of 31 December 2010, 2009 and 2008 are secured by a security package:

| | 31 December 2010 | | | 31 December 2009 | | | 31 December 2008 | | |
|--|------------------|--------|---------------|------------------|--------|---------------|------------------|--------|---------------|
| | USD | Euro | TL Equivalent | USD | Euro | TL Equivalent | USD | Euro | TL Equivalent |
| Borrowings secured by security package | 554.284 | 30.988 | 920.420 | 701.490 | 37.228 | 1.136.658 | 1.451.856 | 76.440 | 2.359.285 |

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7. Financial liabilities (continued)

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

- Commercial Enterprise Pledge on all movable fixed assets of commercial enterprise of İş-TIM and the trade name of Avea, (excluding the movable fixed assets of commercial enterprise of Aycell). The Commercial Enterprise Pledge secures the Senior Secured Financial Indebtedness of Avea up to a maximum amount of TL 1.000.000 (equivalent to USD 646.831 as at 31 December 2010). At 31 December 2010, the total Senior Secured Financial Indebtedness of Avea amounts to approximately TL 920.420 (2009 - TL 1.136.658; 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 2010 - TL 609.236; 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.
- 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.
- Debt Service Reserve Fund: Restricted accounts used to ensure that in order to meet debt service after six months.(Note 6)

In accordance with Amendment Agreement signed between Avea and the lenders on June 25, 2009, undertaking and the financial covenants (ratios) mentioned below was abolished as effective from June 30, 2009 upon Avea has paid USD 621.297 and Euro 32.972 as early payment as of 30 June 2009. Instead, these financial covenants are agreed to be tested at Group level. Avea's early payment has been financed by shareholder loan obtained from the Company.

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,("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 at maximum.

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7. Financial liabilities (continued)

2. General undertakings, among others, are:

- a) License agreement (Avea's Concession Agreement) must be maintained in full force and effect.
- b) To keep Avea's business unaffected from any sale or disposal of any assets, there is an annual limitation of USD 10.000 for selling, leasing or disposing of its assets, with some exceptions determined in the Finance Documents.
- c) Avea created security over its assets in favour of the lenders as collateral that should not be diluted with new securities created over the same assets.

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

- a) USD 300.000 "Contingent Equity Support" to be drawn when cash generated by Avea is insufficient to pay its debt service,
- b) USD 500.000 "Corporate Guarantee" to be called in an event of default,
- c) Pledging shares it owns in Avea,
- d) Assignment of Receivables: As a condition to the facilities being made available to Avea, the Company is obliged to assign its rights, titles, interests and benefits in, to and under its receivables and the claims arising from Subordinated Loan Agreements made towards Avea and in respect of each condemnation event, in favour of the Security Trustee as a continuing security for the fulfilment of the secured obligations.
- e) Company also provides extra support on demand of Avea due to operational or financial shortage amounting to USD 450.000. (additional support)

The support has been wholly used as of 31 December 2010.

- f) Türk Telekom provides support amounting to Euro 214.000 for financing of 3G licence fee. (the support has been wholly used as of 31 December 2010)
- g) Türk Telekom provides support amounting to USD 250.000 for financing acquisition of assets under Ericsson 2G and 3G contract. (the support has been wholly used as of 31 December 2010)

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

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8. Trade receivables and payables

a) Trade receivables

| | 31 December 2010 | 31 December 2009 | 31 December 2008 |
|--|--------------------|------------------|------------------|
| Short-term | | | |
| Trade receivables | 2.879.916 | 2.594.579 | 2.341.608 |
| Other trade receivables | 24.075 | 30.252 | 42.296 |
| Allowance for doubtful receivables (-) | (1.317.070) | (1.228.656) | (1.058.918) |
| Total short-term trade receivables | 1.586.921 | 1.396.175 | 1.324.986 |
| Long-term | | | |
| Trade receivables | 48.890 | - | - |
| Total long-term trade receivables | 48.890 | - | - |

Trade receivables generally have 30 day terms (2009 – 30 days, 2008 – 30 days).

As of 31 December 2010, long-term trade receivables are comprised of receivables from equipment sales in connection with campaigns with collection term over one year. Short term receivables from equipment sales amounts to TL 118.112. (2009 – TL 46.181)

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

| | 31 December 2010 | 31 December 2009 | 31 December 2008 |
|--|--------------------|------------------|------------------|
| At January 1 | (1.228.656) | (1.058.918) | (890.069) |
| Provision for the year | (277.349) | (359.489) | (252.452) |
| Reversal of provision - collections (Note 30) | 185.691 | 179.862 | 80.513 |
| Write off doubtful receivables | 3.244 | 9.889 | 3.090 |
| At 31 December | (1.317.070) | (1.228.656) | (1.058.918) |

As of 31 December 2010, 2009 and 2008, the analysis of trade receivables that were past due but not impaired is as follows:

| | Past due but not impaired | | | | | | |
|-------------------------|--|----------------|----------------|---------------|----------------|---------------|----------------|
| | Neither past due nor impaired | >30 days | 30-60 days | 60-90 days | 90-120 days | >120 days | |
| | Total | | | | | | |
| 31 December 2010 | 1.635.811 | 998.387 | 362.359 | 95.274 | 34.733 | 25.062 | 119.996 |
| 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 |

Receivables guaranteed from dealers of Avea are amounting to TL 22.541 (2009 – TL 28.446).

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8. Trade receivables and payables (continued)

b) Trade payables

| | 31 December 2010 | 31 December 2009 | 31 December 2008 |
|--|------------------|------------------|------------------|
| <i>Short- term</i> | | | |
| Trade payables | 1.266.886 | 855.047 | 881.130 |
| Notes payable | - | 3.011 | 61 |
| Other trade payables | 158 | - | 128 |
| Total short term trade payables | 1.267.044 | 858.058 | 881.319 |
| <i>Long- term</i> | | | |
| Trade payables | 80.561 | - | - |
| Total long term trade payables | 80.561 | - | - |

Trade payables amounting to TL 11.914 as at 31 December 2010 (2009 - TL 2.773; 2008 – TL 1.244) represent payable to suppliers due to TAFICS projects (Notes 6).

The average term of trade payables is between 30 and 90 days (2009 – 30 and 90 days, 2008 – 30 and 90 days).

As of 31 December 2010, long-term trade payables represent payables to suppliers of equipments that are purchased in connection with sale campaigns and will be paid when collected from the subscribers.

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

Financial leases:

The Group has no financial lease receivables as of 31 December 2010, 2009 and 2008.

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

| | 31 December 2010 | 31 December 2009 | 31 December 2008 |
|---------------------------|------------------|------------------|------------------|
| Within one year | 5.726 | 5.446 | 5.233 |
| Between one to two years | 5.615 | 5.592 | 5.068 |
| Between two to five years | 19.223 | 18.607 | 17.330 |
| Later than five years | 4.790 | 12.284 | 19.129 |
| | 35.354 | 41.929 | 46.760 |

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

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

| | 31 December 2010 | 31 December 2009 | 31 December 2008 |
|--|---------------------|---------------------|---------------------|
| Within one year | 7.526 | 7.509 | 8.416 |
| Between one to two years | 6.975 | 7.372 | 7.618 |
| Between two to five years | 21.699 | 22.116 | 22.854 |
| Later than five years | 4.922 | 12.926 | 20.895 |
| Less: Future finance charges | (5.768) | (7.994) | (13.023) |
| Present value of finance lease liabilities | 35.354 | 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 (which will be escalated based on rent increase rate determined by Ministry of Finance) to PTT in exchange for the use of net m² of building space owned by the PTT but occupied by the Company or vice versa. The parties will renegotiate the term of the agreement at the end of ten years. Since the transaction between PTT and the Company is not an arms-length transaction, it has been reflected on a net cash basis in the consolidated financial statements, instead of grossed up fair value (Note 10).

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

| a) | 31 December 2010 (*) | 31 December 2009 (*) | 31 December 2008 (*) |
|--|-------------------------|-------------------------|-------------------------|
| Within one year | 49.121 | 46.210 | 42.827 |
| In the second to fifth years (inclusive) | 196.484 | 184.840 | 171.308 |
| After fifth year | 1.473.630 | 1.432.510 | 1.370.464 |
| 1.719.235 | 1.663.560 | 1.584.599 | |

- (*) Future escalations have not been considered and future payments calculated based on current years rent amount.
- b) The Company has operating lease agreements with respect to leased lines. The revenue from leased lines for the year ended 31 December 2010 is TL 369.993 (2009 – TL 436.759).

Group entered into operating lease agreements with respect to base stations and leased lines. Total operating lease expense for the year ended 31 December 2010 amounts to TL 187.059 TL (2009 – 160.767).

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

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

| | 31 December 2010 | 31 December 2009 | 31 December 2008 |
|---------------------------|------------------|------------------|------------------|
| Within one year | 88.083 | 81.977 | 56.578 |
| Between one to two years | 50.897 | 47.772 | 40.299 |
| Between two to five years | 61.118 | 69.970 | 60.486 |
| Later than five years | 21.136 | 25.607 | 21.048 |
| | 221.234 | 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 2010, 2009 and 2008 are disclosed below:

| | 31 December 2010 | 31 December 2009 | 31 December 2008 |
|--|------------------|------------------|------------------|
| Due from related parties | | | |
| State controlled entities | 110.216 | 80.122 | 84.747 |
| Cell-C Ltd. (1) | 2 | 2 | 96 |
| PTT | 2.890 | 3.051 | 4.303 |
| Oger Telecom | 8.640 | - | - |
| Oger Telecom Yönetim Hizmetleri Limited Company ("OTYH") (2) | 84 | - | - |
| Saudi Telecom Company ("STC") (3) | 12.675 | 7.050 | 3.702 |
| Other | 6 | 767 | 96 |
| | 134.513 | 90.992 | 92.944 |
| Due to related parties | | | |
| State controlled entities | 19.356 | 18.811 | 14.288 |
| OTYH (2) | 3.904 | 3.558 | 4.457 |
| PTT | 20.466 | 1.063 | 1.973 |
| Other | 335 | 388 | 799 |
| | 44.061 | 23.820 | 21.517 |

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10. Due from/Due to related parties (continued)

| | 31 December 2010 | 31 December 2009 | 31 December 2008 |
|--|-------------------------|-------------------------|-------------------------|
| Amounts owed to related parties (non-current liabilities) | | | |
| State controlled entities | - | - | 336 |
| | - | - | 336 |

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

Transactions with shareholders:

The Company paid dividends to the Treasury at the amount of TL 476.914 (2009 - TL 447.047) during 2010. During 20010, dividends paid to OTAS amounted to TL 874.342 (2009 - TL 819.586).

Furthermore, Avea is required under the terms of the Avea Concession Agreement, to pay 15% of its monthly gross revenue to the Treasury (the Treasury Share). As of 31 December 2010 unpaid but accrued treasury share is TL 35.236 (2009 – TL 35.444) and the amount of treasury share payment is TL 376.867 in 2010 (2009 – 361.530).

Transactions with other related parties:

Postage services rendered in 2010 by PTT to the Group amounted to TL 102.600 (2009 - TL 110.869) while commission for collection of invoices and other services in 2010 amounted to TL 27.552 (2009 - TL 30.015).

Operational lease payment made to PTT by the Company in 2010 as part of the lease agreement (Note 9) amounts to TL 49.121 (2009 – TL 46.210).

Compensation of key management personnel

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

| | 31 December 2010 | 31 December 2009 |
|---------------------------------|-------------------------|-------------------------|
| Short-term benefits | 43.674 | 29.278 |
| Long-term defined benefit plans | 824 | 652 |
| | 44.498 | 29.930 |

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10. Related party balances and transactions (continued)

Furthermore, OTMSC charged to the Company a management fee amounting to TL 12.948 and an expense fee for an amount of TL 328 for the year ended 31 December 2010 (2009 – TL 18.103 and TL 1.763), based on the contract between OTMSC and the Company. OTMSC's ultimate shareholder is Saudi Oger. The contract has been renewed on 20 October 2009 for an annual charge of USD 8.500 for the three years.

Guarantees provided to related parties:

The guarantees given by the Company to support the long term financing of Avea is explained in Note 7.

The Company has given guarantees to Cetel at the amount of Euro 8.000 as a financial support.

11. Minority put option liability

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

- a) If an IPO for Avea does not take place before 1 January 2011, then starting from 1 January 2011 until 31 December 2014 ("First Period") İş Bank Group at any time during the First Period shall have the right to demand that the Company initiate and execute an IPO to be concluded within nine months starting from the date of the demand. However, the Company may decide, within thirty days following the date of the demand for IPO, to postpone the IPO until the end of the First Period.
- b) If an IPO does not take place by the end of the "First Period" then starting from 1 January 2015 until 31 December 2015, İş Bank Group shall have the right to demand that the Company initiate and execute an IPO.
- c) Within one month following the execution of an IPO, via any of the methods described above and regardless of the timing of the IPO, İş Bank Group shall have the right to sell to the Company all of their outstanding shares in Avea at a price equal to the IPO price less a five percent discount.

While determining fair value of minority put option liability as of 31 December 2009, it had been assumed that İş Bankası Group would exercise its option on 1 January 2011, which is the earliest exercisable date. As of 31 December 2010 the Company has changed this assumption and determined the fair value of the option based on the assumption that İş Bank Group will exercise its option on 1 January 2015. The Company has estimated a value based discounted cash flows after 31 December 2010. The value determined as at 1 January 2015 is then discounted back to 31 December 2010. The fair value of the put option liability as at 31 December 2010 amounts to TL 525.894 (2009 – TL 543.103, 2008 – TL 586.439). In accordance with Group accounting policies, the change between fair values of minority put option liabilities as of 31 December 2010 and 2009 has been accounted in other reserves under equity.

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11. Minority put option liability (continued)

In order to reflect the minority put option liability in the consolidated financial statements, the minority interest (after giving the effect of loss) as at 31 December 2010, amounting to negative TL 56.954 (2009 – 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 525.894 (2009 - TL 543.103), and the difference of TL 582.848 (2009 - TL 488.749, 2008 – TL 586.439) is reflected in equity as "minority put option liability reserve", based on the Group's accounting policy for the acquisition of minority interest (Note 23).

12. Other receivables and payables**Other current assets**

| | 31 December 2010 | 31 December 2009 | 31 December 2008 |
|--|-------------------------|------------------|------------------|
| Other current assets | 33.117 | 32.662 | 52.458 |
| Deposits and guarantees given | 1.300 | 647 | 14.730 |
| Other doubtful receivables | 24.532 | 24.891 | 21.833 |
| Allowance for other doubtful receivables | (24.532) | (24.891) | (21.833) |
| | 34.417 | 33.309 | 67.188 |

Other long term assets

As at 31 December 2010 Group's other long term receivables amount of TL 2.148 (2009 – TL 676, 2008 – TL 669).

Other current liabilities

| | 31 December 2010 | 31 December 2009 | 31 December 2008 |
|----------------------------------|-------------------------|------------------|------------------|
| Due to personnel | 5.392 | 23.624 | 30.800 |
| Taxes and duties payable | 226.546 | 221.436 | 247.035 |
| Social security premiums payable | 30.623 | 19.306 | 22.105 |
| Deposits and guarantees taken | 161 | 41 | - |
| Other payables | 28.796 | 39.862 | 29.294 |
| | 291.518 | 304.269 | 329.234 |

Other non-current liabilities

| | 31 December 2010 | 31 December 2009 | 31 December 2008 |
|-------------------------------|-------------------------|------------------|------------------|
| Deposits and guarantees taken | 13.761 | 8.942 | 15.143 |
| Other payables | - | - | 951 |
| | 13.761 | 8.942 | 16.094 |

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13. Inventories

The Group has an inventory balance of TL 81.444 as at 31 December 2010 (2009- TL 62.920, 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 and Pantel) arising from the tax losses carried forward based on the estimated taxable profits according to Avea's business plan. As of 31 December 2010 and 2009, the deferred tax asset recognized for Avea's carried forward tax losses amounted to TL 245.000.

As of 31 December 2010, deferred tax asset arising from tax losses of Pantel Group is amounting to TL 19.419. Taxable losses of Pantel Group are amounting to TL 84.573 and they do not expire.

As of 31 December 2010, 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 2010 |
|------------------|------------------|
| 2011 | 1.081.953 |
| 2012 | 867.899 |
| 2013 | 757.127 |
| 2014 | 781.115 |
| 2015 | 213.196 |
| | 3.701.290 |

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

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14. Deferred tax assets and liabilities (continued)

Deferred tax (continued)

For the calculation of deferred tax asset and liability, a rate of 20% for the companies established in Turkey was used as at 31 December 2010, 2009 and 2008.

| Deferred tax asset / liability | Base for deferred tax calculation 31 December 2010 | Deferred tax assets / (liabilities) 31 December 2010 | Base for deferred tax calculation 31 December 2009 | Deferred tax assets / (liabilities) 31 December 2009 | Base for deferred tax calculation 31 December 2008 | Deferred tax assets / (liabilities) 31 December 2008 |
|---|---|---|---|---|---|---|
| Temporary differences on property, plant and equipment | (2,228,748) | (452,287) | (2,377,025) | (475,405) | (2,802,105) | (560,421) |
| Income accruals | (198,785) | (39,757) | (71,505) | (14,301) | (80,050) | (16,010) |
| Other | (152,270) | (30,455) | (525) | (105) | (230) | (46) |
| | (2,579,803) | (552,499) | (2,449,055) | (489,811) | (2,882,385) | (576,477) |
| Deferred tax asset recognized from tax losses carried forward | 1,316,117 | 264,027 | 1,225,000 | 245,000 | 1,352,035 | 270,407 |
| Provision for long-term employee benefits | 599,571 | 119,918 | 629,270 | 125,854 | 664,170 | 132,834 |
| Provision for unused vacation | 63,240 | 12,650 | 93,080 | 18,616 | 85,945 | 17,189 |
| Expense accruals | 58,930 | 11,786 | 117,125 | 23,425 | 21,460 | 4,292 |
| Provision for doubtful receivables | 201,090 | 40,208 | 160,655 | 32,131 | 269,960 | 53,992 |
| Universal service fund and other contributions | 125,790 | 25,158 | 128,465 | 25,693 | 121,205 | 24,241 |
| Other | 24,657 | 5,851 | 57,895 | 11,579 | 39,565 | 7,912 |
| | 2,398,395 | 479,598 | 2,411,490 | 482,298 | 2,554,340 | 510,867 |
| Deferred tax liability, net | | (42,901) | | (7,513) | | (65,610) |
| Deferred tax asset, net | | 258,650 | | 245,125 | | 272,894 |
| Deferred tax liability, net | | (301,551) | | (252,638) | | (338,504) |

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

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14. Deferred tax assets and liabilities (continued)

| | 1 January - 31 December 2010 | 1 January - 31 December 2009 |
|--|---|---|
| Deferred tax (expenses) / income | | |
| Temporary differences of property, plant and equipment | 65.031 | 85.016 |
| Tax losses carried forward | (959) | (25.407) |
| Provision for long-term employee benefits | (24.027) | (13.734) |
| Provision for unused vacation | (5.991) | 1.427 |
| Income accruals | (25.456) | 1.709 |
| Expense accruals | (11.639) | 19.133 |
| Provision for doubtful receivables | 7.908 | (21.861) |
| Universal service fund and other contributions | (535) | 1.452 |
| Currency translation differences | 933 | - |
| Other | (38.505) | 3.608 |
| Deferred tax (expense) / income | (33.240) | 51.343 |
| Movement of deferred tax liability | 31 December 2010 | 31 December 2009 |
| Opening balance, 1 January | (252.638) | (338.504) |
| Business combination effect | (32.971) | - |
| Currency translation differences | (210) | - |
| Actuarial gain | 18.065 | 6.754 |
| Reflected to period profit or loss | (33.797) | 79.112 |
| Closing balance | (301.551) | (252.638) |
| Movement of deferred tax asset | 31 December 2010 | 31 December 2009 |
| Opening balance, 1 January | 245.125 | 272.894 |
| Business combination effect | 12.968 | - |
| Reflected to period profit or loss | 557 | (27.769) |
| Closing balance | 258.650 | 245.125 |
| | 1 January - 31 December 2010 | 1 January - 31 December 2009 |
| Reflected to period profit or loss | | |
| - Deferred tax liability (expense) / income | (46.765) | 79.112 |
| - Deferred tax asset income / (expense) | 13.525 | (27.769) |
| Deferred tax income (Note 32) | (33.240) | 51.343 |

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

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15. Other current / non-current assets

Other current assets

| | 31 December 2010 | 31 December 2009 | 31 December 2008 |
|------------------------|------------------|------------------|------------------|
| Prepaid rent expense | 68.830 | 59.761 | 49.073 |
| Other prepaid expenses | 133.158 | 162.164 | 137.300 |
| Income accrual | 347.996 | 151.351 | 96.663 |
| Advances given | 65.526 | 36.053 | 15.800 |
| VAT and SCT receivable | 30.992 | 91.127 | 97.254 |
| Other current assets | 9.461 | 7.054 | 18.057 |
| | 655.963 | 507.510 | 414.147 |

Prepaid rent expenses consist mainly of the prepaid rents paid for Avea's base stations. As of 31 December 2010 income accrual 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 non-current assets

| | 31 December 2010 | 31 December 2009 | 31 December 2008 |
|---------------------------|------------------|------------------|------------------|
| Prepaid loan upfront fees | - | 26.832 | - |
| Prepaid rent expense | 4.177 | 6.023 | 518 |
| Income accruals | 31.672 | - | - |
| Other | 21.832 | 10.326 | 4.157 |
| | 57.681 | 43.181 | 4.675 |

As of 31 December 2010 non-current income accruals include amounts related with equipment sales to subscribers under campaigns, which have not been invoiced yet and will be collected later than 1 year.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)**

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

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

| | 31 December 2010 | 31 December 2009 | 31 December 2008 |
|--|-------------------------|------------------|------------------|
| Advances received (3) | 214.901 | 205.061 | 273.853 |
| Expense accruals (5) | 296.352 | 202.690 | 121.602 |
| Deferred revenue (2) | 109.070 | 102.752 | 103.571 |
| Accrual for Universal Service Fund (1) | 99.615 | 97.364 | 94.133 |
| Accrual for capital expenditures (4) | 72.180 | 162.072 | 26.993 |
| Accrual for contribution to the ICTA | 43.105 | 49.348 | 45.564 |
| Accrual for the Treasury Share | 35.236 | 35.444 | 29.238 |
| Other payables | 7.723 | 6.373 | 4.896 |
| | 878.182 | 861.104 | 699.850 |

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

| | 31 December 2010 | 31 December 2009 | 31 December 2008 |
|---------------------|-------------------------|------------------|------------------|
| Deferred income (*) | 137.499 | 6.485 | 9.559 |
| Advances taken (**) | 69.278 | - | - |
| Other | 2.000 | - | - |
| | 208.777 | 6.485 | 9.559 |

(*) Deferred revenues mainly result from Pantel's indefeasible right of use contracts.

(**) Advances taken mainly result from the advances taken by Pantel according to indefeasible right of use contracts.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

16. Financial investments

Cetel

| | 31 December 2010 | 31 December 2009 | 31 December 2008 |
|--|------------------|------------------|------------------|
| Balance at 1 January | 11.840 | 11.840 | 11.200 |
| Contribution to share capital increase | - | - | 640 |
| Balance at 31 December | 11.840 | 11.840 | 11.840 |

As of 31 December 2010, 2009 and 2008 due to the lack of significant influence, financial information for equity accounting cannot be achieved timely 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 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 USD 621.297 ve Euro 32.973. USD and Euro denominated principal balances of MTPF have been wholly covered by this new interest rate hedging transaction.

As of 31 December 2010, notional amount that will be due till 30 September 2013 amounts to USD 554.284 and Euro 34.108.

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 2010, fair value of realized interest rate swap transactions amount to TL 72.358 (2009 – TL 106.233; 2008 – TL 209.515). As of 31 December 2010, the amount of TL 45.609 unrealized interest rate swap loss has been recognized under equity reserves. For the period ended 31 December 2010, realized interest rate swap loss amounting to TL 58.326 (2009 – TL 105.263; 2008 – TL 15.370) and unrealized interest rate swap loss amounting to TL 27.149 has been classified to consolidated income statements.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

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

Cash flow hedges (continued)

Interest rate swaps (continued)

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 10.031 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, (USD 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 35.178. Accordingly the total unrealized loss recognized under other comprehensive income amounts to TL 45.209.

The Company has entered into a five-part interest rate swap transaction between 28 July 2010 and 3 August 2010 with a maturity date on 4 March 2015 and a total notional amount of USD 255.000, in order to hedge a portion of its variable rate long term bank borrowings. Due to the results of the effectiveness test, unrealized interest rate swap gain amounting to TL 185 has been classified to consolidated income statement.

Forward contracts

The Company has entered forward contracts with nominal values of USD 176.000 and Euro 200.000 with maturity of 24 January 2011. A portion of the forward contract with nominal value of Euro 200.000 is used to hedge the Group's net investment in a foreign operation. The amount of TL 2.894 fair value income has been classified consolidated income statement and 925 TL that is related with hedge of a net investment in a foreign operation is recognized under equity in other reserves.

Option contracts

In 2009, Avea entered into foreign currency option transactions for which the total current outstanding nominal amount is USD 110.000 and the exercise dates are 26 – 30 March 2010.

Avea does not designate option contracts for hedge accounting. Accordingly, at 31 March 2010 a cumulative net realized profit of TL 660 is included in the consolidated income statement.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

**Notes to the consolidated financial statements
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18. Goodwill

The movement of goodwill is as follows:

| | |
|--|----------------------|
| <u>Opening balance, 1 January 2008 (related to Avea)</u> | <u>29.695</u> |
| Acquisition of Argela | 7.943 |
| Acquisition of Innova | 11.097 |
| Acquisition of Sebit (*) | - |
| <u>Opening balance, 1 January 2009</u> | <u>48.735</u> |
| Acquisition of Sobee | 437 |
| <u>Opening balance, 1 January 2010</u> | <u>49.172</u> |
| Acquisition of Pantel (Note 26) | 3.701 |
| <u>Carrying amount at 31 December 2010</u> | <u>52.873</u> |

(*) As of 31 December 2008 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 of 15 September 2006 for the purpose of the purchase price allocation. The result of the re-measurement amounting to TL 294.065 has been reflected as "Fair value difference arising from acquisition of subsidiary" in equity .

The goodwill impairment test has been performed as of 31 December 2010, 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 2010 covering a five-year plan. WACC used for the discount of cash flows for the period that Avea will pay income tax is 14,5% and 15,4% for non-taxable period. 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 -/+ 2%. As a result of the impairment testing, it has been noted that there is no impairment on goodwill arising on the Avea acquisition. The value in use projections are based on a discounted cash flow (DCF) study implemented until 2029.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

18. Goodwill (continued)

Innova and Argela acquisition

The goodwill impairment tests of Innova and Argela as of 31 December 2010 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 2015. The valuation has been tested with a WACC rate of 18,4% and 18,5% Innova and Argela, respectively with sensitivity of +/- 2%. For the WACC calculation, technology companies have been taken as a benchmark for the calculation of the beta coefficient. As a result of the impairment test, no impairment, is noted for the goodwill arising from the acquisition of Argela and Innova.

Sobee acquisition

The goodwill impairment tests of Sobee as of 31 December 2010 have been performed based on the enterprise value of Sobee. 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 2015. The valuation has been tested with a WACC rate of 19,2%, respectively with sensitivity of +/- 2%. For the WACC calculation, technology companies have been taken as a benchmark for the calculation of the beta coefficient. As a result of the impairment test, no impairment, is noted for the goodwill arising from the acquisition of Sobee.

19. Investment property

The movement of investment property and the related accumulated depreciation for the years ended 31 December 2010, 2009 and 2008 is given below:

| | 1 January - 31 December 2010 | 1 January - 31 December 2009 | 1 January - 31 December 2008 |
|---|------------------------------------|------------------------------------|------------------------------------|
| Cost | | | |
| Opening balance | 384.981 | 384.981 | 384.981 |
| Additions | - | - | - |
| Disposals | (500) | - | - |
| Closing balance | 384.481 | 384.981 | 384.981 |
| Accumulated depreciation and impairment | | | |
| Opening | 93.980 | 74.327 | 57.690 |
| Depreciation charge for the year | 16.636 | 16.632 | 16.637 |
| Disposal | (372) | - | - |
| Impairment | - | 3.021 | - |
| Closing balance | 110.244 | 93.980 | 74.327 |
| Carrying amount | 274.237 | 291.001 | 310.654 |

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**Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)**

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19. Investment property (continued)

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

The Group assesses whether there is any impairment indicator in investment properties. If such indicator exists the Group compares fair values and carrying values of the investment properties on an individual asset basis and records identified impairment of the investment properties. 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. As of 31 December 2010, the Group has assessed whether there is any indicator that there is impairment on investment property and following the test performed it has concluded that there is no impairment.

The Group's investment properties consist of number of buildings and lands. In accordance with balance between cost and benefit principle the fair values of all investment properties are not determined in each year, instead selected investment properties' fair values have been determined. In this context, fair value of the investment properties as of consolidated balance sheet date are not available.

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

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for the year ended 31 December 2010 (continued)

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

20. Property, plant and equipment (PPE)

The movement of PPE and the related accumulated depreciation for the years ended 31 December 2010, 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 2010 | 1,659,385 | 34,561,813 | 151,757 | 236,491 | 233,273 | 433,080 | 37,275,799 |
| Transfers | 10,682 | 124,707 | - | 1,024 | (17,299) | (121,373) | (2,259) |
| Additions | 68,691 | 1,029,691 | 7,095 | 73,545 | 25,050 | 131,516 | 1,335,588 |
| Addition due to acquisition of a subsidiary | 5,753 | 334,315 | 1,795 | 929 | 11 | 12,185 | 354,988 |
| Disposals | (20,575) | (120,560) | (3,996) | (3,285) | (6,140) | (15,591) | (170,147) |
| Currency translation differences | 203 | 9,427 | 43 | 20 | 7 | (1,237) | 8,463 |
| Closing balance, 31 December 2010 | 1,724,139 | 35,939,393 | 156,694 | 308,724 | 234,902 | 438,580 | 38,802,432 |
| Opening balance, 1 January 2010 | 508,075 | 29,673,685 | 133,826 | 142,112 | 188,773 | - | 30,646,471 |
| Disposals | (3,760) | (108,393) | (3,926) | (424) | (4,203) | - | (120,706) |
| Depreciation charge for the year | 69,508 | 979,935 | 5,171 | 38,883 | 19,446 | - | 1,112,943 |
| Transfers | (1) | 3,127 | - | 251 | (1,094) | - | 2,283 |
| Currency translation differences | 3 | 364 | 8 | 3 | - | - | 378 |
| Closing balance, 31 December 2010 | 573,825 | 30,548,718 | 135,079 | 180,825 | 202,922 | - | 31,641,369 |
| Carrying amount at 31 December 2010 | 1,150,314 | 5,390,675 | 21,615 | 127,899 | 31,980 | 438,580 | 7,161,063 |

At 31 December 2010, the Group has performed a value in use study in order to test whether there is any impairment on the tangible and intangible assets. For the value in use test, the cash flow projections are denominated in TL and the "Weighted Average Capital Cost" (WACC) rate used is 12,6%. 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; KPMG Akis Bağımsız Denetim ve SMMM A.Ş.

As of 31 December 2010, net book value of leased assets of Group is amounting to TL 42,307 (2009 – TL 42,353). There are no new leased assets for the year ended 31 December 2010. 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.

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements

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

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

| | Land and buildings | Network and other equipment | Vehicles | Furniture and fixtures | Other fixed assets | Construction in progress | Total |
|-------------------------------------|--------------------|-----------------------------|----------|------------------------|--------------------|--------------------------|------------|
| Cost | | | | | | | |
| Opening balance, 1 January 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 |
| 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 |

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

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Notes to the consolidated financial statements

for the year ended 31 December 2010 (continued)

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

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

| | Land and buildings | Network and other equipment | Vehicles | Furniture and fixtures | Other fixed assets | Construction in progress | Total |
|-------------------------------------|--------------------|-----------------------------|----------|------------------------|--------------------|--------------------------|------------|
| Cost | | | | | | | |
| Opening balance, 1 January 2008 | 1.430.773 | 32.605.199 | 143.034 | 139.864 | 153.862 | 129.671 | 34.602.403 |
| Transfers | 85.600 | 919.805 | 7.446 | 39.134 | 8.989 | (1.092.452) | (31.478) |
| Additions | 4.071 | 308.280 | 29 | 3.960 | 8.774 | 1.160.322 | 1.485.436 |
| Disposals | (81) | (204.082) | (2.284) | (2.448) | (4.496) | - | (213.391) |
| Closing balance, 31 December 2008 | 1.520.363 | 33.629.202 | 148.225 | 180.510 | 167.129 | 197.541 | 35.842.970 |
| 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 |

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

21. Intangible assets

| | License | Customer relationships | Brand | Other intangible assets | Concession right | Total |
|--|------------------|-------------------------------|----------------|--------------------------------|-------------------------|------------------|
| Cost | | | | | | |
| Opening balance, 1 January 2010 | 1.477.929 | 879.377 | 302.379 | 908.381 | 840.239 | 4.408.305 |
| Transfers (Note 20) | - | 3.504 | 161 | 2.373 | - | 6.038 |
| Disposals | - | - | - | (6.371) | - | (6.371) |
| Additions (*) | - | - | - | 256.932 | 140.755 | 397.687 |
| Additions due to acquisition of subsidiary | - | 101.228 | - | 117.713 | - | 218.941 |
| Currency translation difference | - | 3.783 | - | 5.647 | - | 9.430 |
| Closing balance, 31 December 2010 | 1.477.929 | 987.892 | 302.540 | 1.284.675 | 980.994 | 5.034.030 |
| Accumulated amortization | | | | | | |
| Opening balance, 1 January 2010 | 182.290 | 287.308 | 51.373 | 495.638 | 105.256 | 1.121.865 |
| Disposals | - | - | - | (194) | - | (194) |
| Transfers | - | 978 | - | 518 | - | 1.496 |
| Amortization charge for the year | 76.092 | 89.760 | 15.606 | 166.743 | 45.758 | 393.959 |
| Currency translation difference | - | 60 | - | 56 | - | 116 |
| Closing balance, 31 December 2010 | 258.382 | 378.106 | 66.979 | 662.761 | 151.014 | 1.517.242 |
| Carrying amount at 31 December 2010 | 1.219.547 | 609.786 | 235.561 | 621.914 | 829.980 | 3.516.788 |
| | 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 20) | - | - | - | 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 140.755 (2009 – 123.305, 2008 - TL 100.383) comprise intangible assets under scope of IFRIC 12.

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21. Intangible assets (continued)

| | 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 |

As of 31 December 2010, 2009 and 2008, the Group performed impairment test on intangible assets and it has been concluded that there is no impairment.

Remaining amortization periods of significant intangible assets are as follows:

| | |
|-------------------------------|------------|
| Avea License | 15,1 years |
| Avea customer relationships | 5,8 year |
| Avea brand name | 15,1 years |
| Pantel customer relationships | 14,8 years |
| Pantel other | 19,8 years |

There is no restriction or pledge on the intangible assets except for the Avea brand as at 31 December 2010.

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 2010 is TL 438.854 (2009 – TL 462.578).

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21. Intangible assets (continued)

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 2010 is TL 10.671 (2009 – TL 11.378).

22. Provisions

a) Short term provisions

The breakdown of provisions as at 31 December 2010, 2009 and 2008 is as follows:

| | 31 December 2010 | 31 December 2009 | 31 December 2008 |
|----------------------|------------------|------------------|------------------|
| Litigation provision | 210.065 | 147.609 | 124.301 |
| Unused vacation | 72.271 | 100.648 | 92.034 |
| Others | 60 | 338 | 15.740 |
| | 282.396 | 248.595 | 232.075 |

The movement of provisions is as follows:

| | Litigation provision | Unused vacation provision | Other |
|---|----------------------|---------------------------|-----------|
| Provisions at 1 January 2010 | 147.609 | 100.648 | 338 |
| Settled provisions | (4.333) | (21.214) | (338) |
| Provisions for the period | 90.485 | 17.062 | 60 |
| Reversals (Note 30) | (26.125) | (24.878) | |
| Effect of business combinations | 2.337 | 615 | |
| Foreign currency translation difference | 92 | 38 | |
| Provisions at 31 December 2010 | 210.065 | 72.271 | 60 |
| | 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 30) | 127.190 | 8.614 | - |
| Reversals | (19.254) | - | (15.402) |
| Provisions at 31 December 2009 | 147.609 | 100.648 | 338 |

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements

for the year ended 31 December 2010 (continued)

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

22. Provisions (continued)

b) Long term provisions

| | 31 December 2010 | 31 December 2009 | 31 December 2008 |
|---|---------------------|---------------------|---------------------|
| Provision for the investments under the scope of IFRIC 12 | 9.329 | 7.139 | 5.126 |
| | 9.329 | 7.139 | 5.126 |

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 2005, 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 2010 is subject to a ceiling of full TL 2.517 (2009 – full TL 2.365) per monthly salary for each service year.

The number of personnel as at 31 December 2010, 2009 and 2008 were 34.138, 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.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

22. Provisions (continued)

c) Long-term employee benefits (continued)

i) Transfer of Employees to Other State Enterprises after Privatization

In accordance with the related laws, the civil servants and workers were granted the right to ask for a transfer to other state companies. As a result of the Company's privatization on 14 November 2005, some of the employees have used this right to ask for employment from other state enterprises or governmental organizations within 180 days starting from the privatization date. Additionally, in 9 February 2006, another law was enacted which extended this duration from 180 days to five years. As of 31 December 2010. The Company has no the civil servants and workers that were granted the right to ask for a transfer to other state companies.

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 2010 and 2009. The decrease in liability has been presented in the reconciliation of defined benefit obligations separately as a settlement gain.

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

| | 1 January - 31 December 2010 | 1 January - 31 December 2009 | 1 January - 31 December 2008 |
|---|---------------------------------|---------------------------------|---------------------------------|
| Defined benefit obligation at January 1 | 658.755 | 700.476 | 1.007.149 |
| Current service cost | 36.067 | 31.294 | 35.979 |
| Interest cost | 62.639 | 71.907 | 99.457 |
| Actuarial (loss)/gain (*) | 91.336 | 35.002 | (34.139) |
| Benefits paid by the Group | (137.672) | (127.784) | (360.715) |
| Transfers - net (employees transferred to state enterprises) (Note 30) | (88.657) | (52.140) | (47.255) |
| Effect of business combinations | 376 | - | - |
| Foreign currency translation difference | 15 | - | - |
| Provisions | 622.859 | 658.755 | 700.476 |

(*) As at 31 December 2010, actuarial gain amounting to TL 91.336 (2009 - TL 35.002) have been reflected to other comprehensive income.

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

| | 31 December 2010 | 31 December 2009 | 31 December 2008 |
|--|------------------|------------------|------------------|
| Present value of defined benefit obligations | 622.859 | 658.755 | 700.476 |
| Unrecognized past service cost | (16.253) | (24.584) | (33.328) |
| Net liability recognized in the balance sheet | 606.606 | 634.171 | 667.148 |

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**Notes to the consolidated financial statements
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(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

22. Provisions (continued)**c) Long-term employee benefits (continued)**

- iv) Total expense recognized in the consolidated statement of income:

| | 1 January - 31 December 2010 | 1 January - 31 December 2009 | 1 January - 31 December 2008 |
|---|---|---|---|
| Current service cost | 36.067 | 31.294 | 35.979 |
| Interest cost | 62.639 | 71.907 | 99.457 |
| Past service cost | 9.481 | 8.744 | 8.333 |
| Total net cost recognized in the consolidated statement of income | 108.187 | 111.945 | 143.769 |
| Settlement gain recognized (Note 30) | (88.657) | (52.140) | (47.255) |
| Total net income recognized in the consolidated statement of income | (88.657) | (52.140) | (47.255) |

- v) Principal actuarial assumptions use:

| | 31 December 2010 | 31 December 2009 | 31 December 2008 |
|------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Discount rate | 10% | %11 | 12% |
| Expected rate of ceiling increases | 5.1% | %4,8 | 5,40% |

The average voluntary withdrawal rate for the next year for the remaining employees is estimated to be 3% (2009 - 3%).

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

As of 31 December 2010, 2009 and 2008, the shareholders of the Company with their shareholding percentage are as follows:

| | 31 December 2010 | 31 December 2009 | 31 December 2008 | | | |
|---------------------------------------|-------------------------|-------------------------|-------------------------|-----------|----------|-----------|
| | % | TL | % | TL | % | TL |
| The Treasury | 30 | 1.050.000 | 30 | 1.050.000 | 30 | 1.050.000 |
| OTAS | 55 | 1.925.000 | 55 | 1.925.000 | 55 | 1.925.000 |
| Public share | 15 | 525.000 | 15 | 525.000 | 15 | 525.000 |
| | | 3.500.000 | | 3.500.000 | | 3.500.000 |
| Inflation adjustment to share capital | | (239.752) | | (239.752) | | (239.752) |
| | | 3.260.248 | | 3.260.248 | | 3.260.248 |

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Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

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

The Company's share capital is fully paid and consists of 350.000.000.000 shares of 1 kuruş nominal value . OTAS is the holder of Group A shares and the Treasury is the holder of group B and C shares. Group C share consists only of a single preferred stock .

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

As of 31 December 2010, Citicorp Trustee Company Limited has a pledge over 192.500.000.000 group A shares belonging to OTAS which represent 55% of the total company shares.

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

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

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

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

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

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

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Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

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

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

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

In accordance with the Turkish Commercial Code, companies are required to assign legal reserves before profit appropriations. The legal reserve consists of first and second legal reserves, allocated in accordance with the Turkish Commercial Code. The first legal reserve is allocated out of last period's statutory profits at the rate of 5% per annum until the total reserve reaches 1/5 of the paid-in share capital (not indexed to the inflation). The second legal reserve is allocated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. The Company's 2010 consolidated net income has been compared with its 2010 statutory net income and after appropriation of first legal reserve, TL 2.450.857 was determined as an amount available for dividend distribution.

Dividends

During the year ended 31 December 2010, remaining balance of 2009 distributable profit after assigning first and second legal reserves, which amounted to TL 1.589.712 (a dividend of full kuruş 0,4542 per share) has been committed to be distributed and distributed in cash to the shareholders.

During the year ended 31 December 2009, remaining balance of 2008 distributable profit after assigning first and second legal reserves, which amounted to TL 1.490.157 (a dividend of full kuruş 0,4258 per share) has been committed to be distributed and distributed in cash to the shareholders.

Prior period losses amount to TL 288.991 in the previously issued 31 December 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.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)**

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

23. Paid in capital, reserves and retained earnings / (accumulated deficit) (continued)**Minority interest**

The minority interest represents 18,63% shareholding of İş Bank Group in Avea as at 31 December 2010. As of 31 December 2010, 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 2008 | - |
|------------------------|---|

| | |
|--|-----------|
| Reclassification to minority interest | 199.720 |
| Share of profit generated between 1 January 2008 – 31 December 2008 | (179.473) |
| Minority interest share in unrealized loss on derivative financial instruments recognized under equity | 19.846 |
| Minority interest share in actuarial gain / (loss) recognized under equity | (308) |
| Adjustment difference of shareholding rate change | 14.569 |
| Reclassification to other non-current liabilities (Note 11) | (54.354) |

| | |
|------------------------|---|
| As of 31 December 2009 | - |
|------------------------|---|

| | |
|--|-----------|
| Reclassification to minority interest | 54.354 |
| Share of profit generated between 1 January 2009 – 31 December 2009 | (122.434) |
| Minority interest share in unrealized loss on derivative financial instruments recognized under equity | 11.339 |
| Minority interest share in actuarial gain / (loss) recognized under equity | (213) |
| Reclassification to other non-current liabilities (Note 11) | 56.954 |

| | |
|------------------------|---|
| As of 31 December 2010 | - |
|------------------------|---|

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

| | 1 January – 31 December 2010 | 1 January – 31 December 2009 |
|--|---------------------------------|---------------------------------|
| Weighted average number of ordinary shares outstanding during the year | 350.000.000.000 | 350.000.000.000 |
| Net profit for the year attributable to equity holders of the Company | 2.450.857 | 1.859.748 |
| Basic and earnings per share (in full kuruş) | 0,7002 | 0,5314 |

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24. Share based payment

According to the Turkish Council of Ministers decision dated 12 December 2007, which was published in the Turkish Official Gazette on 26 December 2007, 52.500.000.000 shares of Turk Telekom owned by the Treasury, the minority shareholder of Türk Telekom, has been sold as at 15 May 2008, through an initial public offering ("IPO") (such shares correspondence to corresponding to 15% Türk Telekom's shares). During the IPO, 12.299.160.300 of such shares have been allocated to the employees of Türk Telekom, PTT and small investors together with 5.220.503.000 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 in 2008, at the year of the transaction.

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Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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25. Commitments and contingencies

Guarantees received and given by the Group are summarized below:

| | | 31 December 2010 | | 31 December 2009 | | 31 December 2008 | |
|----------------------|----------|-------------------|---------|-------------------|---------|-------------------|---------|
| | | Original currency | TL | Original currency | TL | Original currency | TL |
| Guarantees received | USD | 239.378 | 370.078 | 186.841 | 281.326 | 149.479 | 226.057 |
| | TL | 582.650 | 582.650 | 490.591 | 490.591 | 484.991 | 484.991 |
| | Euro | 86.618 | 177.489 | 64.008 | 138.276 | 94.073 | 201.392 |
| | Sterling | 64 | 152 | | | - | - |
| | | 1.130.369 | | 910.193 | | 912.440 | |
| Guarantees given (*) | USD | 152.265 | 235.402 | 151.987 | 228.847 | 153.919 | 232.772 |
| | TL | 156.465 | 156.465 | 116.151 | 116.151 | 58.809 | 58.809 |
| | Euro | 17.359 | 35.570 | 13.300 | 28.732 | 6.589 | 14.107 |
| | | 427.437 | | 373.730 | | 305.688 | |

(*) USD 151.500 of the amount (2009 - USD 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 (2009 – Euro 12.840) license.

The Company's guarantee, pledge and mortgage (GPM) position as at 31 December 2010 and 2009, 2008 is as follows:

| GPMs given by the Company | 31 December 2010 | 31 December 2009 | 31 December 2008 |
|---|------------------|------------------|------------------|
| A. GPMs given on behalf of the Company's legal personality | 2.081.215 | 1.772.653 | 1.595.657 |
| B. GPMs given in favor of subsidiaries included in full consolidation | 1.243.293 | 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 | 18.375 | 15 | - |
| D. Other GPMs | 16.644 | 17.282 | 17.126 |
| i. GPMs given in favor of parent company | 251 | - | - |
| ii. GPMs given in favor of Company companies not in the scope of B and C above | 16.393 | 17.282 | 17.126 |
| iii. GPMs given in favor of third party companies not in the scope of C above | - | - | - |
| Total | 3.359.527 | 3.207.716 | 2.824.665 |

GPMs given by the Group as at 31 December 2010 are equivalent to 0,27% of the Company's equity (31 December 2009 – 0,32%, 31 December 2008 - %0,33).

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Notes to the consolidated financial statements for the year ended 31 December 2010 (continued) (Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

25. Commitments and contingencies (continued)

Other commitments

The Group has the commitment for sponsorships and advertising services to purchase amounting to TL 273.443 (31 December 2009 – TL 250.616) as at 31 December 2010. Payments for these commitments are going to be made in an 11-year period.

In accordance with the sponsorship agreement between TTNet and the Turkish Football Federation, TTNet has committed to pay to the Federation total net of USD 300 + VAT in two equal instalments dated 16 January 2012 and 12 March 2012 (each payment of net USD 150 + VAT) 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.

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Notes to the consolidated financial statements for the year ended 31 December 2010 (continued) (Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

25. Commitments and contingencies (continued)

Türk Telekom concession agreement (continued)

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

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

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

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

Avea concession agreement

A concession agreement was entered into between Avea and the ICTA ("the Avea Concession Agreement") on 12 January 2005 which replaced and superseded the previous GSM 1800 license agreements in place in relation to Aycell and Aria. After GSM 900 Frequency Band bidding done by ICTA on June 20, 2008, agreement was rearranged.

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

Pursuant to the Avea Concession Agreement, Avea was granted to use 75 channels in the 1800 MHz band and 12 channels in the 900 MHz band. The term of the Avea Concession Agreement is 25 years from 11 January 2001.

Avea may apply to the ICTA for renewal between dates 24 and 6 months before the end of Avea Concession Agreemnet. ICTA may renew the licence of Avea by evaluating the renewal request according to legislation on that date.

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

Avea is also committed to renew the network in line with technological improvements and international agreements.

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25. Commitments and contingencies (continued)

Avea concession agreement (continued)

The Avea Concession Agreement provides that the license fees were paid at the time of issuance of the original agreement.

Avea provided a performance bond in the amount of USD 151.500. Avea, additional to that bond, provided performance bond amounting TRY 760.320 corresponding to 6% of bidding amount after GSM 900 Additional Frequency Band bidding by ICTA on June 20, 2008.

The Avea Concession Agreement provides that the license may be transferred with the approval of the ICTA and within the terms of the Authorization Ordinance. However, no transfer may be made to an entity which already has a GSM 900 or GSM 1800 license in Turkey, or to related parties of such an entity, to the companies or subsidiaries which is owned or managed somehow by shareholders of entity. In cases such issues are determinate, GSM 1800 license given to them by ICTA is cancelled.

Regarding transfer of shares regulation clauses at the date of the transaction will be applied . The approval of the Competition Authority is also required for any change of control, being a transfer of the shares.

Fund payable to the Treasury

Avea will pay an amount equal to 15% of the gross sales on a monthly basis to the Treasury, except for the default interest imposed on their subscribers for their late payments, indirect taxes, financial obligations such as charges and fees, and the accrual amounts accounted for reporting purposes.

Contribution share to the ICTA

Avea shall pay 0,35% of the gross sales to the ICTA as contribution share to the ICTA's expenses, latest on the last business day of April of the following year.

Coverage area

Avea has guaranteed and undertook to cover (up to 2 Watt outdoors) at least 50% of the population of Turkey within three years after 11 January 2001 and at least 90% of the population of Turkey within five years after 11 January 2001. However, the localities where there are less than 10.000 inhabitants shall not be taken into consideration. This coverage area refers to the area to be covered by Avea alone, and will not be contributed by national roaming.

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

Service offerings

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

Service quality

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

25. Commitments and contingencies (continued)

Avea License agreement (continued)

Tariffs

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

Emergencies

Avea will take the necessary measures with priority in order to satisfy the requirements and the needs of subscribers and users in emergencies, provided that the public authorities and enterprises will have priority in the case of health and security emergencies or fire and other disasters. Avea has to provide at least two base stations for the use of the ministry in emergency.

Investment plans

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

National roaming

Avea may enter into contracts with other licensed GSM networks in Turkey for national roaming purposes. Roaming contracts and the financial clause of the contracts has to be presented to ICTA before signature procedures completed.

Suspension of operations

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued) (Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

25. Commitments and contingencies (continued)

Avea License agreement (continued)

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 fulfil its obligations within a period not less than 90 days of written notice by the ICTA. During this period of time, Avea will furnish to the ICTA a corrective action programme for fulfilment 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.

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 Euro 214.000 excluding VAT. The term of the license is 20 years effective from the signature date of the Agreement. 3G services have been launched on 30 July 2009. According to this Agreement;

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

25. Commitments and contingencies (continued)

3G License authorization (continued)

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

Coverage Area Obligations:

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

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

These are the areas which are to be covered by Avea alone and this obligation shall not be fulfilled through roaming.

Avea should maintain service quality in accordance with ICTA regulations, ETSI (European Telecommunications Standards Institute) standards and standards, decisions and recommendations given by ITU.

Upon request of the ICTA, yearly utmost two settling areas shall be covered with priority by Avea.

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

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

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

25. Commitments and contingencies (continued)

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

a) To procure at least 40% of such investments from vendor companies employing a R&D centre established in Turkey and engaged in developing R&D projects in relation with the information and communication technologies provided at least 200 engineers functioning in such company in the first year after the signature of the Agreement, at least 300 engineers in the second year and at least 500 engineers for the third and subsequent years or from vendor companies employing a R&D 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.

b) 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.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

25. Commitments and contingencies (continued)

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
- Avea not performing national roaming obligation stated in the contract

In such circumstances, ICTA gives Avea the opportunity to fulfil its obligations within 90 days after the written notice. In case Avea cannot fulfil all the obligations within this period, the Agreement will be terminated by ICTA. The licence fee or any other fee is not reimbursable in case of a termination of agreement. In the case of cancellation of agreement by ICTA, Avea will alienate all data and documents which constitute system, softwares affecting the running of system(including (tower, beam, blare, container, channel, energy transmission lines, antenna etc), stated and in the usage of Avea to ICTA or to the entity ICTA enounces by making sure that there is no pledge, mortgage, levy and related legal blockages on them and they are free of cost and works free of problems.

Legal proceedings of Türk Telekom

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

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

Interconnection tariff and leased line disputes:

The Company and Turkcell have disputes over international interconnection and leased line rates charged by the Company. The Company provided a provision for this dispute amounting to TL 28.844 as at 31 December 2010 (2009 - TL 27.826) in the consolidated financial statements.

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

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

Consequently, Turkcell was condemned to pay a total of TL 279.227, (TL 137.733 of which is the principal amount and TL 141.494 of which is the default interest) to the Company. Furthermore, beside the default interest to be added to the principal amount which shall be calculated on the basis of Turkish Central Bank commercial advance interest rate as from the filing date namely 5 August 2005, according to clause 12.3 of the Network Interconnection and Cooperation Agreement signed between Turkcell and the Company and amended by clause IX of the Annex Protocol dated 20 September 2003, a default penalty of 10% shall also be applied. 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.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued) (Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

25. Commitments and contingencies (continued)

Legal proceedings of Türk Telekom

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 13.908 (2009 - TL 15.350) has been provided in the consolidated financial statements for the ongoing cases.

Disputes between the Company and Istanbul Metropolitan Municipality

Total amount filed against the Company by İstanbul Metropolitan Municipality as contribution to the infrastructure investment and municipality share is TL 23.091. A cumulative provision amounting to TL 58.696 (2009 – TL 66.050) including the nominal amount and legal interest charges has been reflected to consolidated financial statements as at 31 December 2010.

Monetary penalties of Ministry of Finance

The Company's 2005, 2006, 2007 and 2008 financial periods have been tax audited by Ministry of Finance General Directorate of Revenue and tax audit report has been notified to Türk Telekom by 13 September 2010.

Below summarized matters in the tax audit reports have been criticized in terms of Value Added Tax and Withholding Income Tax:

Value Added Tax to be calculated because of International Invoices

For the telecommunication and related services that are rendered to and procured from international customers and suppliers by Turk Telekom within the standards and organizations that have been set by International Telecommunication Union (ITU), international revenues from and expenditures have been subject to "Clearing" process in terms of country and country groups and based on this outstanding receivables and/or debts have been determined. As a result of the tax audit, it has been determined that the Company has calculated the VAT amount emerged consequent to these transactions, using offsetting method instead of taking gross sales revenue and expense into consideration. Total reconciliation before assessment value of Value Added Tax for 2005, 2006, 2007 and 2008 is assumed to be TL 47.554 and it is decided to apply a tax fine of TL 71.331 about these reconciliations before assessment. Once the imposed tax is finalized to be paid during the taxation period, discount will be taken into consideration as Value Added Tax deductible.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued) (Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

25. Commitments and contingencies (continued)

Withholding Income Tax not deducted from Dividend Payments

Withholding income taxes to be imposed to the Company has been fore sighted as a result of the facts that The Company made advance dividend payments to the Treasury, which were not declared or made subject to withholding tax and also net dividend payment has been used as a base for tax calculation instead of the gross payment to the Treasury. Within this frame it has been fore sighted that for the year 2005 TL 90.344 tax to be imposed with TL 135.516 tax fine and for the year 2006 TL 66.667 tax to be imposed with TL 100.000 tax fine. On the other hand, the Company has retrospectively declared the abovementioned taxes in the following years and these extra tax payments have been decided to be refunded to the Company. Within this frame, extra tax amount of TL 36.302 that has been paid in 2005 and TL 131.611 that has been paid in 2006 are fore sighted to be written-off.. When tax amount to be refunded and tax amount to be imposed is compared, it is understood that tax amount to be refunded is TL 10.902 more than tax amount to be imposed thereby this amount should be paid back to the Company.

Donations made to the Ministry of National Education

Based on the protocols that are made between Türk Telekom and Ministry of National Education, the Company has undertaken the construction of schools, sport and conference halls, dormitories and attachments to these which their passion to be given to the Treasury and rights of use to Ministry of National Education free of charge. Value added taxes for the constructed schools that have been donated in 2006, 2007 and 2008, will not be considered as tax discounts and TL 24.393 Value Added Tax conciliation before assessment and TL 36.601 tax fine is foresighted to be imposed. On the other hand, tax amounts in reports that are non-deductible are pointed out that they can be considered to be expense or cost in income and corporate tax applications.

There has been an inquiry for agreement after conciliation before assessment in 22 September 2010 regarding declared tax that has been prepared in 13 September 2010 within the framework of tax audits and about the fine releases on subjects have been pointed out above.

For the above-mentioned cases, provision amounting to TL 62.435 has been booked in the consolidated financial statements as at 31 December 2010.

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.

According to the fines which were served upon Avea by İstanbul 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.

Avea lodged a lawsuit on 9 October 2009 for stay of execution and annulment of the administrative transaction for a total fine of TL 51.335.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued) (Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

25. Commitments and contingencies (continued)

Legal proceedings of Avea (continued)

Regional Administrative Court rejected the application and the Company received the official notice on 30 June 2010. At July 15th 2010, trial was made. The law suit was accepted and the transaction was cancelled based on the decision declared at October 6th 2010. Therefore, as of 31.12.2010, the management of Avea decided to not to record allowance for the punishment related to law suit.

Monetary penalties of Ministry of Finance

VAT, SCT and reversed charged VAT on international roaming services

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 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.

Avea has been compromised with the directorate of VD (Tax Administration Office) in the issue of VAT payments with the title of "responsible". Concerning the same issue, the law suits opened in the terms which are not included in the compromised term will continue. As a result of the compromise, TL 570 was paid to VD Directorate and TL 154 was paid to Istanbul Tax Administration Directorate at the date 20 September 2010.

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. This amount is not deducted from Avea's accumulated VAT receivables, and declaration was not send. 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. Additionally, for the period of September 2006 – July 2009 it is required to be paid original amount of SCT (TL 6.872).

Avea made a settlement request at November 19th 2009 related to SCT (communication tax). Compromise meetings were made with BMVD Directorate and Istanbul Tax Administration Directorate in the dates of 20 August 2010 and 30 September 2010 respectively, and the compromise has been established. As a result of the compromise, TL 819 was paid to VD Directorate and TL 41 was paid to Istanbul Tax Administration Directorate at the date 20 September 2010.

Avea has accounted for a provision for July 2009 – September 2010 period in its books amounting to TL 656 as of 31 December 2010.

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Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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25. Commitments and contingencies (continued)

Legal proceedings of Avea (continued)

SCT assessment over Discounts

Revenue Controllers began auditing Avea in October 2009 for the year of 2005 - 2009 on the grounds that discount has been applied for the distributors by the company in the sale of the prepaid cards and that the Special Communication Tax (SCT) has been calculated over the amounts after the discount. On 28 September 2010, Avea representatives have signed statements prepared by Controller. The tax notifications and tax reports were announced officially on 04 November 2010 and 12 November 2010 from İstanbul Tax Office and Large Taxpayers Office to Avea respectively. Avea will apply for settlement regarding this dispute in 1 month from the report dates.

Avea has accounted for a provision for January 2005 – December 2010 period in its books amounting to TL 4.200 as of 31 December 2010.

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 41.326 as at 31 December 2010 (2009 – TL 13.281) (Note 22). For the rest of the cases, Group lawyers commented that basis of those cases are not realistic and should be appealed. Therefore, no provision has been provided for these cases.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

26. Business combinations

Pantel Group acquisition

On 7 October 2010, TT International Holding BV ("TT International") which is a subsidiary of the Company acquired the 100% shares of Pantel Group (formerly named "Invitel Group") for a consideration of Euro 135.591, all paid in cash. At the date of acquisition, an additional amount of Euro 71.834 is also paid in cash to the former shareholders to takeover Pantel Group's debt. TT International made this acquisition due to the regional connection center position of the acquired company. The net assets acquired in the transaction and the goodwill arising, are as follows:

| Net assets acquired | Carrying amount at the acquisition date | Fair value adjustment | Fair value |
|---|---|-----------------------|------------|
| Cash and cash equivalents | 30.107 | - | 30.107 |
| Trade and other receivables | 27.845 | - | 27.845 |
| Inventories | 531 | - | 531 |
| Other current and non-current assets | 21.197 | - | 21.197 |
| Property, plant equipment | 298.083 | 56.905 | 354.988 |
| Intangible assets | 135.903 | 83.038 | 218.941 |
| Deferred tax asset | 31.942 | (18.974) | 12.968 |
| Financial liabilities | (34.856) | (547) | (35.403) |
| Trade and other payables | (13.484) | - | (13.484) |
| Other payables, provisions and accrued expenses | (51.400) | - | (51.400) |
| Due to related parties | (141.901) | (2) | (141.903) |
| Deferred tax liability | (19.784) | (13.187) | (32.971) |
| Other non-Current liabilities | (118.002) | (9.137) | (127.139) |
| | 166.181 | 98.096 | 264.277 |
| Acquired net assets (100,00%) | | | 264.277 |
| Goodwill | | | 3.701 |
| Total consideration | | | 267.978 |
| Net cash outflow arising on acquisition | | | |
| Cash consideration paid | | | (267.978) |
| Cash and cash equivalents acquired | | | 30.107 |
| | | | (237.871) |

The Group used independent professional assessment company Pricewaterhousecoopers Danışmanlık Hizmetleri Limited Şirketi for the valuation of property plant equipment and intangible assets, financial liabilities and IRU's & RoW's. The acquisition accounting has been finalized as of 31 December 2010 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.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

26. Business combinations

Pantel Group acquisition

During the acquisition period about the assessed assets and liabilities cash flows income and expenses in the business plan with predicted values utilizing financial market data and used for discounting this values after tax effect WACC determined as 11,2 %. When the relative risk factor of the assessed assets and liabilities are added/(deducted) to/ from this rate, the discount rates are as follows:

| Asset and liability class | Relative risk factor adjustment | Post – tax rate of return | Base rate |
|--|---------------------------------|---------------------------|--------------|
| Net working capital | (7,0)% | 4,2% | Cost of debt |
| Tangible assets | (2,3)% | 8,8% | Cost of debt |
| Other long term assets / (liabilities) | (2,3)% | 8,8% | Cost of debt |
| Customer contract | 0,7% | 11,9% | WACC |
| Customer relationships | 1,0% | 12,2% | WACC |
| Indefeasible right of uses | 0,0% | 11,2% | WACC |
| Other intangible assets | 0,0% | 11,2% | WACC |
| Assembled workforce | 0,0% | 11,2% | WACC |
| Goodwill (excluding assembled workforce) | 10,0% | 21,2% | WACC |

From the date of acquisition, Pantel Group has contributed TL 57.707 of consolidated sales revenue and TL 9.748 losses to the consolidated income statement. If TT International had made the acquisition at the beginning of the year; consolidated sales revenue would have been TL 187.959 and consolidated profit for the year would have been TL 32.044 more.

Total cost of the Pantel Group acquisition amounting to TL 5.407 is recorded under general administration expenses in the consolidated income statement.

27. Events after the balance sheet date

None.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)**

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

28. Operating expenses (including cost of sales)

| | 1 January – 31 December 2010 | 1 January – 31 December 2009 |
|--|---|---|
| Cost of sales (-) | (4.917.512) | (5.081.802) |
| Marketing, sales and distribution expenses (-) | (1.571.606) | (1.302.532) |
| General administrative expenses (-) | (1.493.116) | (1.695.001) |
| Research and development expenses (-) | (23.633) | (29.332) |
| | (8.005.867) | (8.108.667) |

29. Operating expenses (based on their nature)

| | 1 January – 31 December 2010 | 1 January – 31 December 2009 |
|--|---|---|
| Personnel expenses | (1.872.633) | (1.889.121) |
| Repair and maintenance expenses | (335.512) | (383.910) |
| Domestic interconnection | (523.728) | (800.282) |
| Taxes | (720.792) | (705.486) |
| Commission expenses | (436.972) | (391.675) |
| Advertisement expenses | (392.799) | (249.235) |
| Promotion expenses | (156.830) | (131.936) |
| Utilities | (287.287) | (259.914) |
| Rent expenses | (311.014) | (277.584) |
| Bill distribution expenses | (108.613) | (126.734) |
| International interconnection | (158.185) | (149.425) |
| IFRIC 12 expenses | (126.752) | (111.132) |
| Consulting expenses | (79.354) | (94.441) |
| Court expert expenses | (50.419) | (63.277) |
| Stationery expenses | (7.607) | (14.447) |
| Insurance expenses | (19.334) | (25.090) |
| Satellite expenses | (13.001) | (13.493) |
| Doubtful receivable expenses | (277.349) | (362.547) |
| Other expenses | (604.148) | (501.520) |
| Total operating expenses (excluding depreciation and amortization expense) | (6.482.329) | (6.551.249) |
| Depreciation, amortization and impairment | (1.523.538) | (1.557.418) |
| Total operating expenses | (8.005.867) | (8.108.667) |

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**Notes to the consolidated financial statements****for the year ended 31 December 2010 (continued)**

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

30. Other operating income / (expenses)

| | 1 January– 31 December 2010 | 1 January– 31 December 2009 |
|--|--------------------------------|--------------------------------|
| Curtailment and settlement gain | 88.657 | 52.140 |
| Income from litigation | 26.125 | 34.656 |
| Income on release of bad debt provision (Note 8) | 185.691 | 179.862 |
| Indemnity income | 64.098 | 73.020 |
| Gain on scrap sales | 22.647 | 21.295 |
| Other | 176.049 | 132.608 |
| Other operating income | 563.267 | 493.581 |
| Litigation provision expense | (57.652) | (127.190) |
| Special Consumption Tax and other expenses | (8.371) | (7.267) |
| Other | (32.681) | (20.575) |
| Other operating expense (-) | (98.704) | (155.032) |

31. Financial income / (expense)

| | 1 January– 31 December 2010 | 1 January– 31 December 2009 |
|--|--------------------------------|--------------------------------|
| Interest expense | (229.230) | (265.604) |
| Foreign exchange losses | (168.839) | (81.657) |
| Loss on derivative instruments | (112.697) | (225.358) |
| Other | (97.799) | (161.195) |
| Financial expense | (608.565) | (733.814) |
| Interest income on bank deposits and delay charges | 199.933 | 201.860 |
| Foreign exchange gains | 183.466 | 60.515 |
| Gain on derivative instruments | 10.412 | 9.544 |
| Other | 30.594 | 23.519 |
| Financial income | 424.405 | 295.438 |
| Financial (expense) net | (184.160) | (438.376) |

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries**Notes to the consolidated financial statements
for the year ended 31 December 2010 (continued)**

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

32. Taxation on income

| | 31 December 2010 | 31 December 2009 | 31 December 2008 |
|--------------------------------------|---|---------------------------------|------------------|
| Corporate tax payable: | | | |
| Current corporate tax provision | 767.272 | 731.035 | 643.642 |
| Prepaid taxes and funds (-) | (624.867) | (581.053) | (549.760) |
| Tax payable | 142.405 | 149.982 | 93.882 |
| | | | |
| | 1 January – 31 December 2010 | 1 January – 31 December 2009 | |
| Tax expense: | | | |
| Current income tax expense | (765.343) | (731.035) | |
| Deferred income tax credit (Note 14) | (33.239) | 51.343 | |
| | (798.582) | (679.692) | |

As of 31 December 2010, deferred tax amounting to TL 18.065 (2009 – TL 6.754) were recognized in the consolidated statement of comprehensive income.

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

In Turkey, the corporation tax rate is 20% (2009 – 20%). Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one instalment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% (2009 – 20%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

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

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

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

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.

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

32. Taxation on income (continued)

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

| | 1 January – 31 December 2010 | 1 January – 31 December 2009 |
|--|------------------------------------|------------------------------------|
| Profit before tax | 3.127.006 | 2.359.967 |
| Tax at the corporate tax rate of 20% | 625.401 | 471.992 |
| Tax effects of: | | |
| - expenses that are not deductible in determining taxable profit | 29.547 | 33.511 |
| - tax rate difference of subsidiaries | (194) | |
| - deferred tax asset recognized from tax losses carried forward by subsidiaries | (959) | - |
| - adjustments and tax losses of subsidiaries not subject to deferred tax | 144.788 | 174.188 |
| Tax expense for the year | 798.583 | 679.691 |

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 2010 investment allowances amount to TL 4.451 (31 December 2009 - TL 4.127) (Note 25).

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

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements

for the year ended 31 December 2010 (continued)

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

33. Financial risk management objectives and policies

Credit risk

| As of 31 December 2010 | Receivables | | | | | |
|--|-------------------|---------------|-------------------|---------------|-------------------|---------|
| | Trade receivables | | Other receivables | | Deposits at banks | Other |
| | Related parties | Third parties | Related parties | Third parties | | |
| Maximum credit risk exposed to as at 31 December 2010 (A+B+C+D+E) | 134.513 | 1.635.811 | - | 34.417 | 1.217.548 | 380.630 |
| - Guaranteed portion of the maximum risk | | 22.541 | | | | |
| A. Carrying amount of financial assets not overdue or not impaired | 134.513 | 1.062.938 | - | 34.417 | 1.217.548 | 380.630 |
| B. Carrying amount of financial assets with rediscussed conditions, that are considered overdue or impaired if not rediscussed | - | - | - | - | - | - |
| C. Carrying amount of financial assets overdue but not impaired | - | 572.873 | - | - | - | - |
| - Amount secured via guarantees | - | - | - | - | - | - |
| D. Carrying amount of assets impaired | - | - | - | - | - | - |
| - Overdue (gross book value) | - | 1.315.040 | - | 24.532 | - | - |
| - Impairment (-) | - | (1.315.040) | - | (24.532) | - | - |
| E. Off balance sheet items with credit risk | - | - | - | - | - | - |

| As of 31 December 2009 | Receivables | | | | | |
|--|-------------------|---------------|-------------------|---------------|-------------------|---------|
| | Trade Receivables | | Other receivables | | Deposits at banks | Other |
| | Related parties | Third parties | Related parties | Third parties | | |
| Maximum credit risk exposed to as at 31 December 2009 (A+B+C+D+E) | 90.992 | 1.396.175 | - | 33.309 | 752.609 | 151.726 |
| - Guaranteed portion of the maximum risk | - | 28.446 | - | - | - | - |
| A. Carrying amount of financial assets not overdue or not impaired | 90.992 | 880.925 | - | 33.309 | 752.609 | 151.726 |
| B. Carrying amount of financial assets with rediscussed conditions, that are considered overdue or impaired if not rediscussed | - | - | - | - | - | - |
| C. Carrying amount of financial assets overdue but not impaired | - | 515.250 | - | - | - | - |
| - Amount secured via guarantees | - | - | - | - | - | - |
| D. Carrying amount of assets impaired | - | - | - | - | - | - |
| - Overdue (gross book value) | - | 1.228.656 | - | 24.891 | - | - |
| - Impairment (-) | - | (1.228.656) | - | (24.891) | - | - |
| E. Off balance sheet items with credit risk | - | - | - | - | - | - |

| As of 31 December 2008 | Receivables | | | | | |
|--|-------------------|---------------|-------------------|---------------|--------------------|---------|
| | Trade receivables | | Other receivables | | Deposits and banks | Other |
| | Related Parties | Third parties | Related parties | Third parties | | |
| 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 | 109.342 |
| - 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 | 109.342 |
| 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 | - | - | - | - | - | - |

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

33. Financial risk management objectives and policies (continued)

Credit risk (continued)

Financial losses due to Group's receivables and financial assets which result from not implementing agreement clauses related to financial assets by a customer or other party constitutes credit risk.

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

As of 31 December 2010, there is no significant credit risk of Company. The maximum credit risk Company exposure, is reflected by presenting all financial assets from carrying amount on consolidated balance sheet.

Liquidity risk

Liquidity risk is uncertainty to cover future financial obligations.

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

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

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2010 and 2009 based on contractual undiscounted payments (including interest payments not due yet).

| Contract based maturities as at 31 December 2010 | Book value | Total contract based cash outflow (=I+II+III+IV) | | | | |
|--|------------------|---|------------------------|---------------------|--------------------|------------------------|
| | | | Less than 3 months (I) | 3 to 12 months (II) | 1 to 5 Years (III) | More than 5 years (IV) |
| Non-derivative financial liabilities | | | | | | |
| Financial liabilities | 4.164.037 | 4.203.676 | 992.005 | 888.209 | 2.143.150 | 180.312 |
| Obligations under finance leases | 35.354 | 41.047 | 1.263 | 6.250 | 28.613 | 4.921 |
| Trade payables | 1.360.757 | 1.360.757 | 1.358.505 | 1.305 | 947 | - |
| Other payables | 29.114 | 29.114 | 29.114 | - | - | - |
| Related parties | 44.064 | 44.064 | 44.064 | - | - | - |
| Derivative financial liabilities (net) | 73.790 | 74.340 | 25.549 | 21.876 | 26.915 | - |
| Financial guarantees | 1.686.625 | 1.686.625 | 19.700 | 4.438 | 1.279.466 | 383.021 |
| | | | | | | |
| 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 | 3.932.147 | 4.009.136 | 1.729.150 | 449.557 | 1.777.671 | 52.758 |
| Financial liabilities | 41.929 | 49.923 | 1.577 | 5.932 | 29.488 | 12.926 |
| Obligations under finance leases | 858.058 | 858.053 | 854.637 | 3.416 | - | - |
| Trade payables | 39.903 | 39.903 | 39.903 | - | - | - |
| Other payables | 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 |

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

33. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

| Contract based maturities as at 31 December 2008 | Book value | Total contract based cash flows (=I+II+III) | 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

Fair value hierarchy table as at 31 December 2010 is as follows:

| Financial assets at fair value through profit or loss: | Level 1 | Level 2 | Level 3 |
|--|---------|---------|---------|
| Swap transactions | - | 202 | - |
| Forward transactions | - | 3,383 | - |
| Financial liabilities at fair value through profit or loss: | | | |
| Swap transactions | - | 72,376 | - |
| Forward transactions | - | 1,414 | - |
| Minority put option liability (Note 11) | - | - | 525,894 |

Fair value hierarchy table as at 31 December 2009 is as follows:

| Financial liabilities at fair value through profit or loss: | Level 1 | Level 2 | Level 3 |
|---|---------|---------|---------|
| Swap transactions | - | 106,233 | - |
| Options | - | 781 | - |
| Minority put option liability (Note 11) | - | - | 543,103 |

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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33. Financial risk management objectives and policies (continued)

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 and Euro exchange rate, with all other variables held constant, of the Group's net profit for the year (due to changes in the fair value of monetary assets and liabilities):

| As of 31 December 2010 | Profit/Loss | |
|--|----------------------------------|----------------------------------|
| | Appreciation of foreign currency | Depreciation of foreign currency |
| Appreciation of USD against TL at 1%: | | |
| 1- USD net asset/liability | (18.904) | 18.904 |
| 2- Portion protected from USD risk (-) | | |
| 3- USD net effect (1+2) | (18.904) | 18.904 |
| Appreciation of Euro against TL at 1%: | | |
| 4- Euro net asset/liability | (16.857) | 16.857 |
| 5- Portion protected from Euro risk (-) | - | - |
| 6- Euro net effect (4+5) | (16.857) | 16.857 |
| Appreciation of other foreign currencies against TL at 1%: | | |
| 7- Other foreign currency net asset/liability | (2) | 2 |
| 8- Portion protected from other foreign currency (-) | - | - |
| 9- Other foreign currency net effect (7+8) | (2) | 2 |
| Total (3+6+9) | (35.763) | 35.763 |
| As of 31 December 2009 | | |
| As of 31 December 2009 | Profit/Loss | |
| | Appreciation of foreign currency | Appreciation 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 |

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

Türk Telekomünikasyon Anonim Şirketi and Its Subsidiaries

Notes to the consolidated financial statements

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33. Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

| | 31 December 2010 | | | | | 31 December 2009 | | | | |
|--|------------------|------------------|----------------|------------|-----------|------------------|------------------|----------------|------------|------------|
| | TL equivalent | USD | Euro | GBP | Other | TL equivalent | USD | Euro | GBP | Other |
| 1. Trade receivables | 515.749 | 299.388 | 25.814 | - | - | 164.782 | 70.278 | 27.294 | - | - |
| 2a. Monetary financial assets (Cash and banks accounts included) | 440.450 | 178.209 | 80.462 | 27 | - | 228.426 | 136.987 | 10.256 | 4 | - |
| 2b. Non-monetary financial assets | 40 | - | - | - | 27 | - | - | - | - | - |
| 3. Other | 49.420 | 27.247 | 3.426 | 99 | 27 | 32.315 | 15.967 | 3.789 | 34 | 4 |
| 4. Current assets (1+2+3) | 1.005.659 | 504.844 | 109.702 | 126 | 54 | 425.523 | 223.232 | 41.339 | 38 | 4 |
| 5. Trade receivables | 8 | 4 | 1 | - | - | 175 | - | 81 | - | - |
| 6a. Monetary financial assets | - | - | - | - | - | - | - | - | - | - |
| 6b. Non-monetary financial assets | - | - | - | - | - | - | - | - | - | - |
| 7. Other | - | - | 4 | - | - | 2.303 | 1.447 | 21 | - | 179 |
| 8. Non-current assets (5+6+7) | 8 | 4 | 5 | - | - | 2.478 | 1.447 | 102 | - | 179 |
| 9. Total assets (4+8) | 1.005.667 | 504.848 | 109.707 | 126 | 54 | 428.001 | 224.679 | 41.441 | 38 | 183 |
| 10. Trade payables | 591.135 | 179.230 | 153.129 | 105 | 12 | 359.943 | 112.984 | 87.276 | 524 | 12 |
| 11. Financial liabilities | 1.131.475 | 471.709 | 196.287 | - | - | 567.015 | 257.703 | 82.855 | - | - |
| 12a. Monetary other liabilities | 63.495 | 15.570 | 19.239 | - | - | 159.082 | 77.392 | 19.698 | - | - |
| 12b. Non-monetary other liabilities | - | - | - | - | - | - | - | - | - | - |
| 13. Short-term liabilities (10+11+12) | 1.786.105 | 666.509 | 368.655 | 105 | 12 | 1.086.040 | 448.079 | 189.829 | 524 | 12 |
| 14. Trade payables | - | - | - | - | - | - | - | - | - | - |
| 15. Financial liabilities | 2.668.028 | 1.027.942 | 526.490 | - | - | 1.813.792 | 713.244 | 342.480 | - | - |
| 16 a. Monetary other liabilities | 78.459 | 5.941 | 33.807 | - | - | 16 | 11 | - | - | - |
| 16 b. Non-monetary other liabilities | - | - | - | - | - | - | - | - | - | - |
| 17. Long-term liabilities (14+15+16) | 2.746.487 | 1.033.883 | 560.297 | - | - | 1.813.808 | 713.255 | 342.480 | - | - |
| 18. Total liabilities (13+17) | 4.532.592 | 1.700.392 | 928.952 | 105 | 12 | 2.899.848 | 1.161.334 | 532.309 | 524 | 12 |
| 19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b) | - | - | - | - | - | (107.014) | (65.972) | (3.555) | - | - |
| 19a. Total asset amount hedged ** | - | - | - | - | - | - | - | - | - | - |
| 19b. Total liability amount hedged *** | - | - | - | - | - | 107.014 | 65.972 | 3.555 | - | - |
| 20. Net foreign currency asset/(liability) position (9-18+19) | (3.526.925) | (1.195.544) | (819.245) | 21 | 42 | (2.578.861) | (1.002.627) | (494.423) | (486) | 171 |
| 21. Net asset/(liability) position of foreign currency monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)* | (3.576.385) | (1.222.791) | (822.675) | (78) | (12) | (2.506.465) | (954.069) | (494.678) | (520) | (12) |
| 22. Fair value of FX swap financial instruments | - | - | - | - | - | - | - | - | - | - |

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Notes to the consolidated financial statements for the year ended 31 December 2010 (continued)

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

33. Financial risk management objectives and policies (continued)

Financial risk factors

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

Interest rate risk

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

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

The interest rate risk table is presented below:

| | 31 December 2010 | 31 December 2009 |
|--|------------------|------------------|
| Financial instruments with fixed interest rate | | |
| Financial liabilities | 1.207.608 | 1.733.558 |
| Financial instruments with variable interest rate | | |
| Financial liabilities | 2.956.426 | 2.198.589 |

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 7.391 as of 31 December 2010. (31 December 2009 – TL 5.863)

On the other side because of hedging, if the base point of interest rate higher/lower 0.25%, income before tax and minority interest will be effected by TL 193 and a direct effect on and equity would be higher/lower TL 2.259 (31 December 2009 – TL 4.876).

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.

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Notes to the consolidated financial statements

for the year ended 31 December 2010 (continued)

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

33. Financial risk management objectives and policies (continued)

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

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

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

| | Book value | | Fair value | |
|---|------------------|--------------|------------------|--------------|
| | Current period | Prior period | Current period | Prior period |
| Financial assets | | | | |
| Cash and cash equivalents | 1.219.007 | 753.693 | 1.219.007 | 753.693 |
| Trade and other receivables (including related parties) | 1.806.889 | 1.520.476 | 1.806.889 | 1.520.476 |
| Other current and non-current assets | 421.831 | 249.298 | 421.831 | 249.298 |
| Other financial investments | 11.840 | 11.840 | (*) | (*) |
| Financial liabilities | | | | |
| Financial liabilities | 4.164.034 | 3.932.147 | 4.170.459 | 3.953.298 |
| Trade and other payables | 1.696.947 | 1.195.089 | 1.696.947 | 1.195.089 |
| Other current and non-current liabilities | 1.082.105 | 1.096.404 | 1.082.105 | 1.096.404 |

(*) Group's share in Cetel is carried at cost. Information on fair value of share in Cetel is not available.

Capital management policies

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

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

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or return capital to shareholders. No changes were made in the objectives, policies or processes during the years 2010 and 2009.