Türk Telekomünikasyon Anonim Şirketi

Interim condensed consolidated financial statements for the period between 1 January – 31 March 2011

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

Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

Table of contents

Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

Condensed consolidated balance sheet
As at 31 March 2011
(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated)

	Notes	Current period (Unaudited) 31 March 2011	Prior period (Audited) 31 December 2010
Assets			
Current Assets		**3.851.976**	3.712.265
Cash and cash equivalents	6	**1.132.993**	1.219.007
Trade receivables			
- Trade receivables from related parties	7	**143.843**	134.513
- Other trade receivables		**1.641.235**	1.586.921
Other receivables		**33.505**	34.417
Inventories		**88.033**	81.444
Other current assets		**812.367**	655.963
Non-current assets		**11.309.527**	11.387.756
Trade receivables		**89.979**	48.890
Other receivables		**2.133**	2.148
Other financial assets		**1.904**	3.586
Financial investments		**11.840**	11.840
Investment property		**270.078**	274.237
Property, plant and equipment		**7.128.922**	7.161.063
Intangible assets		**3.466.296**	3.516.788
Goodwill		**53.050**	52.873
Deferred tax asset		**270.800**	258.650
Other non-current assets		**14.525**	57.681
TOTAL ASSETS		**15.161.503**	15.100.021

The accompanying policies and explanatory notes on pages 8 through 29 form an integral part of the consolidated financial statements.

Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

Condensed consolidated balance sheet
As at 31 March 2011
(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated)

	Notes	Current period (Unaudited) 31 March 2011	Prior period (Audited) 31 December 2010
Liabilities			
Current liabilities		**4.318.546**	4.820.529
Financial liabilities			
- Bank borrowings	8	**1.434.187**	1.863.186
- Obligations under finance leases		**5.993**	5.726
Other financial liabilities	13	**35.531**	46.011
Trade payables			
- Trade payables to related parties	7	**27.320**	44.061
- Other trade payables		**858.835**	1.267.044
Other payables		**400.496**	291.518
Income tax payable		**207.145**	142.405
Provisions		**291.820**	282.396
Other current liabilities	10	**1.057.219**	878.182
Non-current liabilities		**4.085.821**	4.104.735
Financial liabilities			
- Bank borrowings	8	**2.285.683**	2.300.849
- Obligations under finance leases		**29.969**	29.628
Other financial liabilities			
- Minority put option liability		**525.894**	525.894
- Derivative financial instruments	13	**12.165**	27.779
Trade payables		**92.126**	80.561
Other payables			
- Other payables		**12.746**	13.761
Provisions		**9.876**	9.329
Provisions for employee termination benefits		**614.620**	606.606
Deferred tax liability		**283.831**	301.551
Other non-current liabilities		**218.911**	208.777
Equity		**6.757.136**	6.174.757
Equity attributable to parent			
Paid-in share capital		**3.500.000**	3.500.000
Inflation adjustments to paid in capital		**(239.752)**	(239.752)
Other reserves			
- Minority put option liability reserve		**(618.252)**	(582.848)
- Fair value difference arising from acquisition of subsidiary		**(308.634)**	(308.634)
- Hedging reserve		**(39.147)**	(37.711)
- Actuarial loss arising from employee benefits		**(201.884)**	(201.884)
- Share based payment reserve		**9.528**	9.528
Currency translation reserve		**20.264**	9.885
Restricted reserves allocated from profits		**1.446.210**	1.446.210
Retained earnings		**2.579.963**	129.106
Net income for the year		**608.840**	2.450.857
Total liabilities and equity		**15.161.503**	15.100.021

The accompanying policies and explanatory notes on pages 8 through 29 form an integral part of the consolidated financial statements.

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

Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

Condensed consolidated balance sheet
As at 31 March 2011
(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated)

	Notes	Current Period (Unaudited) 1 January 2011 – 31 March 2011	Prior Period (Unaudited) 1 January 2010 – 31 March 2010
Revenue	5	**2.886.897**	2.583.509
Cost of sales (-)		**(1.200.267)**	(1.229.967)
Gross profit		**1.686.630**	1.353.542
Marketing, sales and distribution expenses (-)		**(468.468)**	(348.709)
General administrative expenses (-)		**(402.773)**	(368.068)
Research and development expenses (-)		**(8.916)**	(9.255)
Other operating income		**91.399**	89.082
Other operating expense (-)		**(24.364)**	(27.424)
Operating profit		**873.508**	689.168
Financial income		**168.051**	138.311
Financial expense (-)		**(289.394)**	(129.760)
Profit before tax		**752.165**	697.719
Tax expense			
Tax expense for the period		**(210.250)**	(212.378)
Deferred tax income		**29.374**	18.347
Net profit		**571.289**	503.688
Attribution of net profit			
Attributable to equity holders of the parent		**608.840**	546.255
Minority interest		**(37.551)**	(42.567)
		608.840	546.255
Earnings per shares attributable to equity holders of the parent from (in full Kuruş) (Note 4)		**0,1740**	0,1561
Earnings per diluted shares attributable to equity holders of the parent from (in full Kuruş) (Note 4)		**0,1740**	0,1561

The accompanying policies and explanatory notes on pages 8 through 29 form an integral part of the consolidated financial statements.

Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

Condensed consolidated balance sheet
As at 31 March 2011
(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated)

	Notes	**Current Period (Unaudited) 1 January 2011 - 31 March 2011**	Prior Period (Unaudited) 1 January 2010 - 31 March 2010
Profit for the period		**571.289**	503.688
Other comprehensive income:			
Profit / (loss) from derivative financial instruments transferred to condensed consolidated income statement	14	**12.875**	30.852
Change in fair value of derivative financial instruments		**(427)**	(10.652)
Net investment hedge		**(14.671)**	-
Deferred tax effect of net investment hedge		**2.934**	-
Currency translation gain / (loss)		**10.379**	(44)
Other comprehensive income (After tax)		**11.090**	20.156
Total comprehensive income		**582.379**	523.844
Distrubution of total comprehensive income:			
Attributable to equity holders of the parent		**617.783**	562.648
Minority interest		**(35.404)**	(38.804)

The accompanying policies and explanatory notes on pages 8 through 29 form an integral part of the consolidated financial statements.

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

Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

Unaudited condensed consolidated statement of changes in equity for the period ended 31 March 2011

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

				Other Reserves										
	Paid-in share capital	Inflation adjustment to paid in capital	Restricted reserves allocated from profits	Minority put option liability reserve	Share based payment reserve	Difference arising from acquisition of subsidiary	Hedging reserve	Actuarial loss	Currency translation reserve	Retained earnings)	Net income for the year	Total	Minority interest	Total equity
Balance at 1 January 2010	3.500.000	(239.752)	1.204.192	(488.749)	9.528	(308.634)	(86.441)	(128.826)	(188)	101.088	1.859.748	5.421.966	--	5.421.966
Net profit for the year	--	--	--	--	--	--	--	--	--	--	546.255	546.255	(42.567)	503.688
Other comprehensive income/(loss)	--	--	--	--	--	--	16.437	--	(44)	--	--	16.393	3.763	20.156
Total comprehensive income	--	--	--	--	--	--	16.437	--	(44)	--	546.255	562.648	(38.804)	523.844
Transfer to retained earnings	--	--	--	--	--	--	--	--	--	1.859.748	(1.859.748)	--	--	--
Minority interest before classification to minority put option liability	--	--	--	--	--	--	--	--	--	--	--	--	54.354	54.354
Minority put option liability	--	--	--	(38.803)	--	--	--	--	--	--	--	(38.803)	(15.550)	(54.353)
Balance at 31 March 2010	3.500.000	(239.752)	1.204.192	(527.552)	9.528	(308.634)	(70.004)	(128.826)	(232)	1.960.836	546.255	5.945.811	--	5.945.811
Balance at 1 January 2011	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
Net profit for the year	--	--	--	--	--	--	--	--	--	--	608.840	608.840	(37.551)	571.289
Other comprehensive income/(loss)	--	--	--	--	--	--	(1.436)	--	10.379	--	--	8.943	2.147	11.090
Total comprehensive income	--	--	--	--	--	--	(1.436)	--	10.379	--	608.840	617.783	(35.404)	582.379
Transfer to retained earnings	--	--	--	--	--	--	--	--	--	2.450.857	(2.450.857)	--	--	--
Minority interest before classification to minority put option liability	--	--	--	--	--	--	--	--	--	--	--	--	(54.354)	(54.354)
Minority put option liability	--	--	--	(35.404)	--	--	--	--	--	--	--	(35.404)	89.758	54.354
Balance at 31 Mart 2011	3.500.000	(239.752)	1.446.210	(618.252)	9.528	(308.634)	(39.147)	(201.884)	20.264	2.579.963	608.840	6.757.136	--	6.757.136

The accompanying policies and explanatory notes on pages 8 through 29 form an integral part of the consolidated financial statements

Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

Reviewed condensed consolidated cash flow statement for the period ended 31 March 2011

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

	(Unaudited) Current period 1 January - 31 March 2011	(Unaudited) Prior period 1 January - 31 March 2010
Profit for the period before tax	**752.165**	697.719
Adjustments to reconcile profit before tax to cash provided by operating activities:		
Depreciation and amortisation and impairment expense	**403.720**	374.369
IFRIC 12 revenue	**(676)**	(4.104)
Gain on sale of property, plant and equipment	**(10.441)**	(61)
Foreign currency exchange income / (expense), net	**91.231**	(40.191)
Interest expense and income, net	**(3.339)**	(1.278)
Reversal of doubtful receivables	**(32.590)**	(42.659)
Allowance for doubtful receivables	**72.320**	81.781
Provision for employee termination benefits	**40.837**	25.736
Litigation provision	**(12.349)**	4.347
Unused vacation provision, net	**22.776**	29.412
Loss on derivative financial instruments	**26.500**	-
Obselete inventory provision	**370**	(4.012)
Other provisions	**304**	547
Operating profit before working capital changes	**1.350.828**	1.121.606
Net working capital changes in:		
Trade receivables and other receivables	**(144.543)**	(70.642)
Other current assets and inventories	**32.878**	1.000
Trade payables and other payables	**(160.661)**	(61.988)
Other non-current assets	**(413.490)**	(381.205)
Other current liabilities and provisions	**43.459**	9.523
Other non-current liabilities and provisions	**168.881**	179.772
Payments of employee termination benefits	**9.135**	(754)
Restricted cash	**(16.599)**	(3.930)
Provision payments	**(1.363)**	--
Income taxes paid	**(146.033)**	(150.396)
Net cash provided by operating activities	**722.492**	642.986
Investing activities		
Interest received	**51.057**	50.186
Proceeds from sale of property, plant, equipment and intangible assets	**39.072**	7.725
Purchases of property, plant and equipment and intangible assets	**(198.228)**	(215.137)
Net cash used in investing activities	**(108.099)**	(157.226)
Cash flows from financing activities		
Proceeds from bank borrowings (Note 8)	**2.683.087**	4.475.490
Repayment of bank borrowings (Note 8)	**(3.217.246)**	(4.892.916)
Repayment of obligations under finance leases	**(1.494)**	(960)
Interest paid	**(55.702)**	(63.292)
Derivative instrument payments	**(52.677)**	(30.195)
Net cash used in financing activities	**(644.032)**	(511.873)
Foreign exchange differences from balance sheet	**(19.249)**	-
Net increase / (decrease) in cash and cash equivalents	**(48.888)**	(26.113)
Foreign exchange differences on cash and cash equivalents at the beginning of the year	**(4.248)**	--
Cash and cash equivalents at the beginning of the year	**389.627**	110.600
Cash and cash equivalents at the end of the period (Note 6)	**336.491**	84.487

The accompanying policies and explanatory notes on pages 8 through 29 form an integral part of the consolidated financial statements.

1. Corporate organization and activities

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

On 24 August 2005, 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 March 2010 and 31 December 2010, the ultimate parent and controlling party of the Company is Saudi Oger Ltd ("Saudi Oger"), because of its controlling ownership in Oger Telecom.

A concession agreement ("the Concession Agreement") was signed by the Company and 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.

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

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

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

The number of personnel as at 31 March 2011 and 31 December 2010 were 35.061 and 34.138, respectively.

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

1. Corporate information (continued)

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

Name of Subsidiary	Place of incorporation and operation	Principal activity	Functional Currency	Effective ownership of the Company (%) 31 March 2011	31 December 2010
TTNet Anonim Şirketi ("TTNet")	Turkey	Internet Service Provider	Turkish Lira	99,96	99,96
Avea İletişim Hizmetleri A.Ş.("Avea")	Turkey	GSM Operator	Turkish Lira	81,37	81,37
Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret Anonim Şirketi ("Argela")	Turkey	Telecommunications Solutions	Turkish Lira	99,96	99,96
Innova Bilişim Çözümleri Anonim Şirketi ("Innova")	Turkey	Telecommunications Solutions	Turkish Lira	99,99	99,96
Assistt Rehberlik ve Müşteri Hizmetleri Anonim Şirketi ("AssisTT")	Turkey	Call Centre and Customer Relations	Turkish Lira	99,96	99,96
Sebit Eğitim ve Bilgi Teknolojileri A.Ş. ("Sebit")	Turkey	Web Based Learning	Turkish Lira("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	99,96	99,96
SOBEE Yazılım Ticaret Limited Şirketi ("Sobee")	Turkey	Software gaming services	Turkish Lira	99,99	99,99
TT International Holding B.V. ("TT International")	Holland	Holding company	Euro	100	-
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 Telcomunikacije d.o.o ("Pantel Slovenya ")	Slovenia	Internet/data services, infrastructure and wholesale voice services provider	Euro	100	-
Pantel International SK s.r.o ("Pantel Slovakya ")	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	-

Consolidated financial statements were approved by the Board of Directors of the Company and authorized for issue on 19 April 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 condensed consolidated financial statements and disclosures have been prepared in accordance with the format that must be applied according to the communiqué numbered XI-29 announced by the CMB (hereinafter will be referred to as "the CMB Accounting Standards") on 9 April 2008.

Excluding the subsidiaries incorporated outside of Turkey which are Argela - USA. Inc., IVEA, Sebit LLC, TT International, TT Global 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.

Interim condensed consolidated financial statements of the Group do not include the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Group's annual financial statements as of 31 December 2010.

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

As at 31 March 2011 and 31 December 2010, the consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments and minority put option liability, which have been reflected at their fair values.

In accordance with article 5 of the communique numbered XI-29, companies should apply the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). However, again in accordance with the provisional clause 2 of the same communique adoption of the IFRS as adopted by the EU is postponed until the Turkish Accounting Standards Board (TMSK) 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 period ended 30 September 2010, the Group prepared its condensed consolidated financial statements in accordance with International Accounting Standards ("IAS") No. 34 "Interim Financial Reporting" as adopted by the IASB.

2. Basis of preparation financial statements (continued)

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

Classifications applied to financial statements as of 31 March 2011

In the consolidated income statement as of 31 March 2010, amounts of 13.147 TRY, (9.472) TRY, (10.921) TRY, (404) TRY and 7.650 TRY respectively, are classified under cost of sales, marketing, sales and distribution, general administration, research and development expenses and other operating income.

As of 31 March 2010, Group reclassified the free deposits amounting to TL 190.486 TRY, respectively to restricted deposits.

2.2 Changes in accounting policies

New standards and interpretations:

The accounting policies adopted in the preparation of the consolidated financial statements as at 31 March 2011 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.

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

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 derecognized and the equity instruments issued are treated as consideration paid to extinguish that financial liability.

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 recognize as an asset some voluntary prepayments for minimum funding contributions. This Earlier application permitted and must be applied retrospectively.

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

2. Basis of preparation financial statements (continued)

2.2 Changes in accounting policies (continued)

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.

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.

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.

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.

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".

2. Basis of preparation financial statements (continued)

2.2 Changes in accounting policies(continued)

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.

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.

These new standards, amendments and interpretations have no significant effect on the financial position or the performance of the Group.

Standards issued but not yet effective and not early adopted

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 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.

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.

2.3 Basis of consolidation

As at 31 March 2011, the condensed 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. Loses 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

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3. Seasonal changes in the operations

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

4. Earnings per share

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

	For the three month period ended 31 March 2011	For the three month period ended 31 March 2010
Weighted average number of shares outstanding during the period (in number)	**350.000.000.000**	350.000.000.000
Net profit for the period attributable to equity holders of parent	**608.840**	546.255
Earnings per share (in full kuruş)	**0,1740**	0,1561

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5. Segment reporting

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

	Fixed line		**Mobile**		**Eliminations**		**Consolidated**	
	1 January-31 March 2011	1 January-31 March 2010	**1 January-31 March 2011**	1 January-31 March 2010	**1 January-31 March 2011**	1 January-31 March 2010	**1 January-31 March 2011**	1 January-31 March 2010
Revenue								
Domestic PSTN	**1.055.193**	1.025.017	**-**	-	-	-	**1.055.193**	1.025.017
ADSL	**720.629**	601.480	**-**	-	-	-	**720.629**	601.480
GSM	**-**	-	**702.833**	647.350	-	-	**702.833**	647.350
IFRIC 12 revenue	**5.874**	532	**-**	-	-	-	**5.874**	532
Data service revenue	**105.077**	83.724	**-**	-	-	-	**105.077**	83.724
International sales	**97.683**	41.132	**-**	-	-	-	**97.683**	41.132
Interconnection revenue	**75.135**	67.555	**-**	-	-	-	**75.135**	67.555
Leased lines	**118.682**	126.834	**-**	-	-	-	**118.682**	126.834
Rent income from GSM operators	**25.626**	25.708	**-**	-	-	-	**25.626**	25.708
Other	**61.229**	38.966	**-**	-	-	-	**61.229**	38.966
Eliminations	**-**	-	**-**	-	**(81.064)**	(74.789)	**(81.064)**	(74.789)
Total revenue	**2.265.128**	2.010.948	**702.833**	647.350	**(81.064)**	(74.789)	**2.886.897**	2.583.509
Cost of sales and operating expenses (excluding depreciation and amortization)	**(1.121.295)**	(1.037.703)	**(633.192)**	(618.900)	**77.783**	74.973	**(1.676.704)**	(1.581.630)
Other operating income / (expense)	**67.009**	55.482	**14**	7.373	**12**	(1.197)	**67.035**	61.658
Depreciation and amortization and impairment	**(243.602)**	(216.250)	**(160.530)**	(158.523)	**412**	404	**(403.720)**	(374.369)
Earnings before interest, tax, depreciation and amortization ("EBITDA")	**1.210.842**	1.028.727	**69.655**	35.823	**(3.269)**	(1.013)	**1.277.228**	1.063.537
Doubtful receivable provision expense	**53.636**	54.885	**18.684**	26.897	**-**	-	**72.320**	81.781
Capital expenditure	**139.664**	149.045	**177.623**	55.488	**(3.218)**	-	**314.068**	204.533

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5. Segment reporting (continued)

	1 January- 31 March 2011	1 January- 31 March 2010
Fixed line segment EBITDA	**1.210.842**	1.028.727
Mobile segment EBITDA	**69.655**	35.823
Inter-segment eliminations	**(3.269)**	(1.013)
Consolidated EBITDA	**1.277.228**	1.063.537
Financial income	**168.051**	138.311
Financial expenses (-)	**(289.394)**	(129.760)
Depreciation and amortisation	**(403.720)**	(374.369)
Consolidated profit before tax	**752.165**	**697.719**

	Fixed line	**Mobile**	**Eliminations**	**Other unallocated amounts**	**Total**
Total segment assets	**14.109.498**	**4.750.396**	**(3.751.439)**	**53.048 (*)**	**15.161.503**
Total segment liabilities	**(6.366.802)**	**(4.750.686)**	**3.239.015**	**(525.894) (**)**	**(8.404.367)**

	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)

(*) Includes goodwill amounting to TRY 53.048 (2010 – TRY 52.873).
(**) Includes minority put option liability amounting to TRY 525.894 (2010 – TRY 525.894).

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6. Cash and cash equivalents

	31 March 2011	31 December 2010
Cash on hand	**1.365**	1.094
Cash at banks – Demand deposits	**392.783**	397.065
Cash at banks – Time deposits	**738.407**	820.483
Other	**438**	365
	1.132.993	1.219.007

As of 31 March 2011, time deposits are all short-term, maturing within one month and denominated in both foreign currencies and TL. The interest rates are between 4 % - 10 % for TL deposits, between 0,05 % - 2 % for USD deposits and between 0,29 % - 0,29 % for Euro deposits. (31 December 2010 – for TL deposits between 4,00 % and 9,50 % for TL deposits, for USD deposits between 0,25 % and 2,90 % and for Euro deposits between 0,50 % and 3,60 %).

As of 31 March 2011, TRY 157.288 (31 March 2010 – TRY 185.701) 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. These time deposits are restricted and can only be used for payments related to TAFICS projects.

As at 31 March 2011, a demand deposit amounting to TL 290.027 (31 March 2010 – TRY 259.199) is also restricted due to collection protocols signed with banks for receipts from the subscribers, under which proceeds are made available to the Group a certain number of days after the cash is collected. As of 31 March 2011, TL 220.265 (31 March 2010 - TL 190.486) of restricted deposits in relation to bank borrowings consist of blocked time deposits related to Avea’s bank borrowing agreements and remaining Euro 55.172 (equivalent to TL 120.363) represent the Company’s deposits that are restricted as a guarantee of TT Global’s bank borrowing.In addition, TRY 4.461 of demand deposits (31 March 2010 – TRY 3.138) arising from collections through automated teller machine (“ATM”) is not available for use at 31 March 2011.

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

	1 January – 31 March 2011	1 January – 31 March 2010
Cash and cash equivalents	**1.132.993**	726.580
- TAFICS projects	**(157.288)**	(185.701)
- Collection protocols	**(290.027)**	(259.199)
- Restricted deposits in relation to bank borrowings	**(340.628)**	(190.486)
- ATM collection	**(4.461)**	(3.138)
- Other	**(4.098)**	(3.569)
	336.491	84.487

Within the context of the Bank Account Pledge Agreement signed by Avea, 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. In addition, Avea provided an account pledge over all of its bank accounts amounting to TRY 364.571 at 31 March 2011 (31 December 2010 - TRY 609.236) in favor of Security Trustee.

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7. Related party balances and transactions

All intra-group transactions and balances including intra-group unrealized profits and losses are eliminated in the condensed 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 as at 31 March 2011 and 31 December 2010 between the Group and other related parties are disclosed below:

	31 March 2011	31 December 2010
Trade receivables due from other related parties (trade receivables, short term)		
State controlled entities	**133.353**	110.216
Cell-C Ltd. (1)	**-**	2
Oger Telekom	**-**	8.640
Oger Telecom Yönetim Hizmetleri Limited Şirketi ("OTYH") (2)	**128**	84
PTT	**2.415**	2.890
Saudi Telecom Company ("STC") (3)	**7.788**	12.675
Other	**159**	6
	143.843	134.513
Trade payables due to related parties (trade payables , short term)		
State controlled entities	**11.860**	19.356
OTYH (2)	**3.919**	3.904
PTT	**11.075**	20.466
Saudi Telecom Company ("STC") (3)	**375**	-
Other	**91**	335
	27.320	44.061

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

Transactions with shareholders

Avea is required under the terms of Avea's concession agreement to pay 15% share to the Treasury (the Treasury Share) of its monthly gross revenue. For the three months period ended 31 March 2011, Treasury Share accrual amounted to TRY 38.138 (31 March 2010 – TRY 35.659) and the amount of treasury share payment is TRY 96.908 in 2011 (31 March 2010 – 93.612).

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7. Related party balances and transactions (continued)

Transactions with other related parties (continued)

Postage services rendered by PTT to the Group during the period ended 31 March 2011 amounted to TL 26.416 (31 March 2010 - TRY 23.784) while commission for collection of invoices and other services amounted to TRY 6.497 (31 March 2010 - TRY 6.436).

Operational lease payment made to PTT by the Company as part of the lease agreement amounts to TRY 12.280 (31 March 2010 –TRY 11.553).

Guarantees provided to related parties

The guarantees given by the Company for the long-term financing of Avea are explained in Note 8.

Company guaranteed EUR 8.000 to support financing of Çalık Enerji Telekomünikasyon Anonim Şirketi ("CETEL").

Compensation of key management personnel

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

	1 January- 31 March 2011	1 January- 31 March 2010
Short-term benefits	**17.909**	8.776
Long-term defined benefit plans	**180**	189
	18.089	8.965

OTMSC charged to the Company a management fee amounting to TL 3.290 (31 March 2010 – TRY 3.233) and an expense fee for an amount of TL 32 (31 March 2010 – TRY 132) for the three months period ended 31 March 2011, based on the contract between OTMSC and the Company. OTMSC's ultimate shareholder is Saudi Oger. Significant portion this payment represents salaries of key management personnel. The contract has been renewed on 20 October 2009 for an annual charge of USD 8.500 for the three years.

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8. Borrowings

Bank borrowings used by the Group during the period ended 31 March 2011 amounts to 2.683.087 TL (31 March 2010 - 4.475.490 TL).

The total principal repayment of bank borrowings and financial leases during the period ended 31 March 2011 amounts to 3.217.246 TL (31 Mart 2010- 4.892.916 TL)'dir.

Bank Borrowings

	31 March 2011			31 December 2010		
	Weighted verage effective interest rate%	**Original amount**	**TRY equivalent**	Weighted average effective interest rate%	Original amount	TRY equivalent
Short-term financial liabilities:						
TRY financial liabilities with fixed interest rates	**2,43%**	**25.419**	**25.419**	**6,39%**	**669.284**	**669.284**
EUR financial liabilities with fixed interest rates	**4,00%**	**55.104**	**120.215**	**4,00%**	**55.104**	**112.914**
Interest accruals:						
TRY financial liabilities with fixed interest rates		**6**	**6**		**231**	**231**
USD financial liabilities with fixed interest rates		**1.415**	**2.191**		**1.098**	**1.698**
USD financial liabilities with variable interest rates		**1.834**	**2.840**		**7.686**	**11.883**
EUR financial liabilities with fixed interest rates		**761**	**1.660**		**248**	**508**
EUR financial liabilities with variable interest rates		**3.182**	**6.942**		**4.432**	**9.082**
Short-term portion of long-term financial liabilities:						
USD financial liabilities with fixed interest rates	**2,94%**	**132.554**	**205.233**	**2,94%**	**132.936**	**205.519**
USD financial liabilities with variable interest rates (*)	**3,15%**	**383.066**	**593.100**	**3,15%**	**301.683**	**466.402**
EUR financial liabilities with variable interest rates (**	**4,23%**	**218.455**	**476.581**	**4,07%**	**188.212**	**385.665**
Total short-term liabilities			**1.434.187**			**1.863.186**
Long-term borrowings:						
USD financial liabilities with fixed interest rates	**2,94%**	**126.052**	**195.166**	**2,94%**	**125.576**	**194.140**
USD financial liabilities with variable interest rates (*)	**3,15%**	**657.663**	**1.018.260**	**3,15%**	**669.271**	**1.034.693**
EUR financial liabilities with fixed interest rates	**6,83%**	**11.397**	**24.863**	**6,83%**	**11.378**	**23.315**
EUR financial liabilities with variable interest rates (**	**4,23%**	**480.104**	**1.047.394**	**4,07%**	**511.786**	**1.048.701**
Total long-term liabilities			**2.285.683**			**2.300.849**

(*) Libor + (varies between 1,70 – 3,75) spread
(**) Eurolibor + (varies between 0,93– 3,75) spread

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8. Borrowings (continued)

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

	31 March 2011					31 December 2010				
	Up to 3 months	3 months to 1 year	1year to 5 years	Over 5 Years	Total	Up to 3 months	3 months to 1 year	1year to 5 years	Over 5 Years	Total
TRY financial liabilities with fixed interest rates	23.531	1.894	-	-	25.425	666.708	2.807	-	-	669.515
USD financial liabilities with fixed interest rates	174.408	33.016	121.366	73.800	402.590	2.983	204.234	120.690	73.450	401.357
USD financial liabilities with variable interest rates	2.839	593.101	928.655	89.605	1.614.200	181.015	297.270	1.023.959	10.734	1.512.978
EUR financial liabilities with fixed interest rates	121.875	-	24.863	-	146.738	113.422	-	23.315	-	136.737
EUR financial liabilities with variable interest rates	8.089	475.434	947.957	99.437	1.530.917	20.896	373.851	952.573	96.128	1.443.448
	330.742	1.103.445	2.022.841	262.842	3.719.870	985.024	878.162	2.120.537	180.312	4.164.035

The following borrowings are secured by a security package as at 31 March 2011 and 31 December 2010:

	31 March 2011			31 December 2010		
	USD	EURO	TL equivalent	USD	EURO	TL equivalent
Borrowings secured by security package	444.749	25.528	744.297	554.284	30.988	920.420

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

- Commercial Enterprise Pledge on all movable fixed assets of commercial enterprise of İş-TIM and the trade name of Avea, (excluding the movable fixed assets of commercial enterprise of Aycell). The Commercial Enterprise Pledge secures the Senior Secured Financial Indebtedness of Avea up to a maximum amount of TRY 1.000.000 (equivalent to USD 645.870 as at 31 March 2011). At 31 March 2011, the total Senior Secured Financial Indebtedness of Avea amounts to approximately TRY 744.297 (31 December 2010 - TRY 920.420).
- Account pledges on all the bank accounts of Avea, which do not restrict operational usage of the accounts in the normal course of business (31 March 2011 - TRY 364.575; 31 December 2010 - TRY 609.236)
- 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.
- Avea keeps a restricted deposit on a certain bank to secure the repayment of the next installment.

8. Borrowings (continued)

In accordance with Amendment Agreement signed between Avea and the lenders on 25 June 2009, financial covenants (ratios) which were under Avea's responsibilities due to its borrowing, has been abolished effective from 30 June 2009 upon the early payment of Avea amounting to USD 621.297 and EUR 32.972 as at 28 September 2009. Such early payment has been financed by long term shareholder loan financed by Türk Telekom. As at 31 March 2011, financial covenants of Türk Telekom are as follows;

1. Financial covenants (ratios):

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

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

2. General undertakings, among others, are:

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

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

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

The Group has maintained the financial and general undertakings mentioned above as at 31 March 2011. Other than these undertakings, the Group has financial and general undertakings to be maintained due to its other borrowings. The Company meets these covenants as at 31 March 2011.

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,

8. Borrowings (continued)

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

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

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

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 utilized as at 31 March 2011

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

Pantel Turkey, in return for this loan, assigned its receivables amounting to its outstanding loan balance to the corresponding bank. As of 31 December 2010 loan payable amounts to Euro 5.057.

9. Tangible and intangible assets

The amount of tangible and intangible assets purchased during the three-month period ended 31 March 2011 is TL 317.662 (31 March 2010 – TRY 204.533).

The cost of tangible and intangible assets sold during the three-month period ended 31 March 2011 amounted to TL 96.306 (31 March 2010 – TRY 4.173).

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10. Other current liabilities

	31 March 2011	31 December 2010
Expense accruals	**337.093**	296.352
Advances received (3)	**203.083**	214.901
Deferred revenue (2)	**99.568**	109.070
Accrual for Universal Service Fund (1)	**126.842**	99.615
Accrual for capital expenditures (4)	**192.615**	72.180
Accrual for the Treasury Share	**38.138**	35.236
Accrual for contribution to be paid to the ICTA	**49.494**	43.105
Other payables	**10.386**	7.723
	1.057.219	878.182

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

2) Deferred revenue is composed of the invoiced but unconsumed minutes’ sales value.

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

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

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11. Commitments and contingencies

Guarantees received and guarantees given by the Group are as follows:

		31 March 2011		31 December 2010	
		Original amount	**TL**	Original amount	TL
Guarantees received	**USD**	**238.529**	**369.314**	239.378	370.078
	TRY	**610.612**	**610.612**	582.650	582.650
	EUR	**88.376**	**192.801**	86.618	177.489
	GBP	**64**	**158**	64	152
			1.172.885		1.130.369
Guarantees given (*)	**USD**	**152.760**	**236.518**	152.265	235.402
	TL	**147.258**	**147.258**	156.465	156.465
	EUR	**17.650**	**38.505**	17.359	35.570
			422.281		427.437

(*) USD 151.500 of the amount (31 December 2010 - USD 151.500) is related with the guarantee provided to the ICTA by Avea with respect to the Avea Concession Agreement and EUR 12.840 (31 December 2010 – EUR 12.840) is related with the guarantee provided for 3G license.

The Company's guarantee, pledge and mortgage (GPM) position as at 31 March 2011 and 31 December 2010 is as follows:

GPMs given by the Group	**31 March 2011**	31 December 2010
A. GPMs given on behalf of the Company's legal personality	**1.574.210**	2.081.215
B. GPMs given in favor of subsidiaries included in full consolidation	**1.245.587**	1.243.293
C. GPMS given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	**16.965**	18.375
D. Other GPMs	**17.453**	16.644
i. GPMs given in favor of parent company	**-**	251
ii. GPMs given in favor of Company companies not in the scope of B and C above	**17.453**	16.393
iii. GPMs given in favor of third party companies not in the scope of C above	-	-
Total	**2.854.215**	3.359.527

GPMs given by the Group as at 31 March 2011 are equivalent to 0,26 % of the Company's equity (31 December 2010 – 0,27 %).

Legal proceedings of Türk Telekom

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 13.09.2010.

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 47.554 TL and it is decided to apply a tax fine of 71.331 TL 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.

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 90.344 TL tax to be imposed with 134.516 TL tax fine and for the year 2006 66.667 TL tax to be imposed with 100.000 TL 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 36.302 TL that has been paid in 2005 and 131.611 TL 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 10.902 TL 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 24.393 TL Value Added Tax conciliation before assessment and 36.601 TL 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. After the adoption of law number 5811 recently the conflict is planned to be concluded based on the related acts of this law.For the above-mentioned cases, a provision amounting to TRY 50.848 (31 December 2010 – TRY 62.435) has been booked in the consolidated financial statements as at 31 March 2011.

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

12. Financial risk management objectives and policies

Foreign currency position:

	31 March 2011					31 December 2010				
	TL Equivalent	USD	EUR	GBP	Other	TL Equivalent	USD	EUR	GBP	Other
1. Trade receivables	257.302	85.296	57.407	-	-	515.749	299.388	25.814	-	-
2a. Monetary financial assets (Cash and banks accounts included)	302.740	152.464	30.533	28	-	440.450	178.209	80.462	27	-
2b. Non-monetary financial assets	-	-	-	-	-	40	-	-	-	27
3. Other	41.663	20.804	4.328	-	21	49.420	27.247	3.426	99	27
4. Current assets (1+2+3)	601.705	258.564	92.268	28	21	1.005.659	504.844	109.702	126	54
5. Trade receivables	343.946	222.143	1	-	777	8	4	1	-	-
6a. Monetary financial assets	-	-	-	-	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
7. Other	10	1	4	-	-	-	-	4	-	-
8. Non-current assets (5+6+7)	343.956	222.144	5	-	777	8	4	5	-	-
9. Total assets (4+8)	945.661	480.708	92.273	28	798	1.005.667	504.848	109.707	126	54
10. Trade payables	350.854	95.338	93.102	45	17	591.135	179.230	153.129	105	12
11. Financial liabilities	1.327.896	540.751	224.904	-	-	1.131.475	471.709	196.287	-	-
12a. Monetary other liabilities	286.926	109.140	53.326	600	287	63.495	15.570	19.239	-	-
12b. Non-monetary other liabilities	13	-	6	-	-	-	-	-	-	-
13. Short-term liabilities (10+11+12)	1.965.689	745.229	371.338	645	304	1.786.105	666.509	368.655	105	12
14. Trade payables	108	70	-	-	-	-	-	-	-	-
15. Financial liabilities	2.744.380	1.077.038	493.584	-	-	2.668.028	1.027.942	526.490	-	-
16 a. Monetary other liabilities	81.664	5.615	33.448	-	-	78.459	5.941	33.807	-	-
16 b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-
17. Long-term liabilities (14+15+16)	2.826.152	1.082.723	527.032	-	-	2.746.487	1.033.883	560.297	-	-
18. Total liabilities (13+17)	4.791.842	1.827.952	898.370	645	304	4.532.592	1.700.392	928.952	105	12
19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b)	-	-	-	-	-	-	-	-	-	-
19a. Total asset amount hedged **	-	-	-	-	-	-	-	-	-	-
19b. Total liability amount hedged ***	-	-	-	-	-	-	-	-	-	-
20. Net foreign currency asset/(liability) position (9-18+19)	(3.846.181)	(1.347.244)	(806.097)	(617)	494	(3.526.925)	(1.195.544)	(819.245)	21	42
21. Net asset/(liability) position of foreign currency monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(3.887.840)	(1.368.049)	(810.423)	(617)	473	(3.576.385)	(1.222.791)	(822.675)	(78)	(12)
22. Fair value of FX swap financial instruments	-	-	-	-	-	-	-	-	-	-

13. 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 March 2011, notional amount that will be due till 30 September 2013 amounts to USD 444.750 and Euro 25.528.

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

As of 31 March 2011, fair value of realized interest rate swap transactions amount to TL 47.099 (31 December 2010 – TL 72.358). As of 31 March 2011, the amount of TL 33.686 unrealized interest rate swap loss has been recognized under equity reserves. For the period ended 31 March 2011, realized interest rate swap loss amounting to TL 25.686 (31 December 2010 – TL 58.326) and unrealized interest rate swap loss amounting to TL 13.736 has been classified to consolidated income statement.

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 ineffective result of the effectiveness test, unrealized interest rate swap loss amounting to TL 597 and realized interest rate swap loss amounting to TL 471 have been classified to consolidated income statement.

Forward contracts

The Company has entered into a forward contract with the nominal value of EUR 196.000 and the maturity on 15 April 2011. A portion of this forward contract is used to hedge the Group's net investment in a foreign operation. The amount of TL 659 fair value income, which has no relation with this investment has been classified to consolidated income statement and 14.671 TL that is related with the 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.

15. Subsequent events

Collective Labor Agreement negotiations between the Company and Haber-İş Union for the 9th Period, which have been held since March 11, 2011, covering 16,687 of our employees, were concluded with a settlement and the collective labor agreement was signed on April 18, 2011. This Collective Labor Agreement will be effective for 2 years, between March 1, 2011 – February 28, 2013.

According to the settlement,

- which will cover our unionized employees, wage increases for the 1st, 2nd, 3rd and 4th 6-month periods will be 3.75%, 3.5%, 2.5% and 2.5% respectively. If CPI in 3rd and 4th 6-month period exceeds 2.5%, 100% of the difference will be compensated in the next period's wages.

- In addition, it is approved that a wage increase between TL 150 – TL 200 (in full) will be applied on equal basis for the first 6-month period, to our 3,118 employees who work in various positions, depending on their place of duty. For the first 6-month period, these employees will not get the normal wage increase that is determined in the settlement. However, for the remaining three 6-month periods, they will get a wage increase that is determined in the settlement.